COLUMBIA BASIN TRUST
a legacy for the people

EVOLVING & EMPOWERING

COLUMBIA BASIN TRUST ANNUAL REPORT 2012/13

WWW.CBT.ORG

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Message From the Chair and CEO

Dear Minister Bond:

Greg Deck
Chair, Board of Directors

In 2012/13, Columbia Basin Trust (CBT) strengthened existing partnerships and forged new ones, expanded our programs and initiatives and explored new approaches to assist communities in meeting their priorities.

CBT supports the efforts of the people of British Columbia's Columbia Basin (Basin) region, working with them to deliver social, economic and environmental benefits to the region. This work is referred to as Delivery of Benefits.

As a self-sustaining regional Crown corporation, CBT manages the initial endowments it received from the Province upon creation to generate a predictable income stream to fund both our corporate operations and Delivery of Benefit activities. Due to deliberate and prudent planning, resulting in the consistent performance of our Investment Program, CBT was able to deliver a record $19.3 million in funding benefits to the region in 2012/13—11.6 per cent higher than in the previous year. This growth isn't unique, but rather a positive upward trend CBT has been following for some time; over the past decade, our average annual growth rate has been approximately 17 per cent.

Neil Muth
President and CEO

This report's theme, *Evolving and Empowering*, reflects the recent focus of our Delivery of Benefits activities. Increasingly, we have been evolving by placing more resources in the hands of communities, supporting them as they make their own choices on issues that affect their futures and empowering them to see those choices result in positive outcomes. This approach allows CBT to be more strategic in how we support communities in their efforts to address priorities.

PERFORMANCE RESULTS

Total revenues in 2012/13 were $25.7 million, an increase of $2.7 million over 2011/12 and $1.1 million higher than forecasted in the *2012/13 – 2014/15 Service Plan*. This increase was primarily due to greater revenue from two of our power project facilities.

The fiscal year's deficit was $753,000, which is approximately $1.2 million lower than budgeted in the *Service Plan*. This is largely attributable to the increased revenues from Power Projects. Over the last several years, CBT's Investment Program earnings have increased, making more funds available for delivering benefits to the Basin. Instead of immediately using the new funds, however, we built our capacity to return higher levels of benefits over the long term by accumulating surpluses in those years. As a result, CBT was able to fully fund a higher level of benefits in 2012/13 (and has budgeted to

continue doing so over the next two fiscal years) without incurring any operational or financial issues as a result of the deficit.

Seventy-seven per cent of CBT's revenues are derived from power investments, which are being managed by long-time partner Columbia Power Corporation. Despite a short-term outage at Brilliant Expansion, we experienced a 10.7 per cent annual return from Power Projects, which exceeded its 8 per cent performance target and was stronger than the 10.1 per cent return realized in 2011/12.

The return on Private Placements was 2.5 per cent, well below its 8 per cent benchmark and the 7.3 per cent return earned in 2011/12. The lower than expected performance is due to a loan loss provision taken on our loan portfolio. (Please see additional details in the Report on Performance on page 21.)

While the global economy remained volatile over 2012/13, the return on Market Securities was 7.8 per cent, exceeding the 1.6 per cent realized in 2011/12 and above the 6 per cent benchmark for this portfolio. All of our investments are long-term in nature and are intended to create value over time.

Because CBT is accountable to Basin residents—and because it ultimately supports efforts of residents and the well-being of the region—the organization is measuring how perceptions of CBT's effectiveness in the Basin change over time. In fall 2012, 74 per cent of residents and 94 per cent of partners surveyed agreed that CBT is making a positive difference in their communities.

To provide insight into whether our Corporate Operations are effectively supporting our Delivery of Benefits activities and Investment Program, baseline measures were established in 2010/11. For 2012/13, CBT attained a level three for maturity of planning practices, meaning the organization has developed higher-level plans but needs to more closely integrate those plans with its ongoing operations and resource allocations. For maturity of risk management practices, a level of 2.5 was attained, meaning the organization has identified corporate risks and developed some strategies to address them, but still needs to better articulate its overall tolerances for risk and implement a formal enterprise-wide risk management system. Both of these were the same as the 2011/12 results. Corporate Operations came under budget by $584,000, again exceeding the *Service Plan* target.

HIGHLIGHTS

While CBT continues to respond to the needs of communities—be these geographic or communities of interest—our approach is evolving. We have always had programs and initiatives that place decision making in the hands of communities—for example the Community Initiatives and Affected Areas Programs, and the Arts, Culture and Heritage Program—but have recently been expanding this approach to other areas, supporting communities as they make their own choices on issues that affect their futures and empowering them to see those choices result in positive outcomes.

An example of this evolving approach is Community Directed Funds, introduced in 2011/12 and implemented in 2012/13. Two communities—Columbia Valley and Elk Valley—are each receiving $200,000 per year for three years from CBT, which will be used to fund priorities in each region. We continue to look at implementing this approach elsewhere in the Basin, and are eager to get more communities on board.

Castlegar's Seniors Outreach and Support Pilot Project is one of the projects that has received support from CBT's Social Grants Program.

Our Community Directed Youth Funds program also employs this approach and has had significant reach within the Basin since being introduced in 2011/12. In this program, communities are provided with $100,000 over four years to increase activities, opportunities and services for youth. In 2012/13, six communities benefited from their first year of funding, while nine more started the process.

Another example is our three-year, $3-million Social Grants Program, which was also introduced in 2011/12 and had its first intake in fall 2012. Granting decisions are made by the Social Grants Program Selection Committee, a volunteer group of Basin residents that includes individuals who have experience and expertise in the social sector, plus individuals who have broader community development experience. In this way, the social sector community itself can look at the bigger picture and select projects that address sector priorities.

CBT also helped support Basin communities in other significant ways. For example, in 2012/13 we:

- committed $3 million to the Kootenay-Koocanusa Fish and Wildlife Program, which will help protect and enhance fish, wildlife and habitats in and around Koocanusa Reservoir and its tributaries in the Kootenay River system;
- contributed $560,000 to College of the Rockies toward the costs of purchasing the latest mining haul truck simulators, which will enable Basin residents to train to work in the Kootenays' thriving mining sector;
- supported community projects with nearly $3 million through our Community Development Program;
- had the first call for proposals under a three-year, $10-million partnership with BC Housing to create affordable rental housing in the Basin;
- delivered the first year of a $4.5-million, three-year commitment to the student wage subsidy programs School Works and Summer Works, which encourage Basin businesses to hire students over the summer, and businesses and other organizations to hire students during the school year;
- supported projects that helped to maintain or enhance environmental conditions and provide educational information in and around their communities with $1 million through the Environmental Initiatives Program; and
- made progress on laying a foundation for bringing broadband to the Basin through the Columbia Basin Broadband Corporation, a CBT subsidiary created to develop a world-class open-access broadband network across the Basin.

CBT also continued to fund a wide range of programs and initiatives in the Basin, including ongoing work in areas like climate change, water, scholarships, literacy and arts, culture and heritage.

We also took a number of steps to enhance the effectiveness of our internal operations. For example, we:

- continued to formalize our approach to managing risk within our operations by developing a draft risk register;
- approved a three-year internal audit plan that will monitor organizational risks and ensure organizational processes are efficient and effectively controlled;
- appointed an accounting firm to perform compliance audits on selected projects that receive CBT funding under Delivery of Benefits;
- continued the Financial Management Improvement Project initiated in 2011/12, with a specific focus on acquiring new software that will integrate and enable the organization to improve a number of processes, including contract management, budgeting, accounting and forecasting; and
- finalized a comprehensive review of our Information Technology department to ensure it has the necessary skills, assets and strategic capability to deliver exceptional support and customer service to the entire organization.

In September 2012, CBT reorganized its internal structure, including shifting and redefining departments and adjusting certain staff responsibilities. The goal was to ensure our organization is structured in the best way possible to support all our activities and effectively and efficiently manage our increasing revenues—which not only have grown in the past, but are expected to grow significantly in the future. The shift has enabled better integration between Delivery of Benefits departments themselves, plus between Delivery of Benefits and support departments like Information Technology and Accounting. It has also helped us address the increased complexity of accounting standards and reporting requirements.

FUTURE OUTLOOK

Forecasting a consistently strong performance for our Investment Program, CBT will be positioned to return more benefits to the Basin in coming years. In order to ensure Delivery of Benefits funds are used in the most effective and impactful ways possible and reflect local and regional priorities, we plan to continue involving communities in directly allocating funds based on their priorities.

As always, we will continue to strengthen our existing programs, initiatives and partnerships, and explore new avenues to deliver benefits. For example, in the coming year we will investigate an internship program to complement our wage subsidy program, plus look at ways to support training for youth entrepreneurs.

We will also be renewing our three core strategic plans. These plans identify three-year goals and objectives aimed at addressing social, economic and environmental issues affecting the Basin, and will be used to prioritize resources, inform CBT's responses to opportunities that arise and guide CBT's activities.

In addition to connecting with Basin residents for input on these plans, we will be providing an opportunity for them to connect with both CBT and each other at the Columbia Basin Symposium, scheduled for October 18 – 20, 2013, in Creston. These symposia take place every three years, and the theme for the 2013 event is "Community Change Through Collaborative Action."

We recognize that, in addition to generating financial returns for CBT, our investment activities generate broader benefits for the region. Consideration is being given to measures that will allow us to better understand these ancillary benefits and ensure they are enhanced, without compromising the financial principles of CBT as a prudent investor.

In order to support and enable the effective management of our Investment Program and Delivery of Benefits, we will continue to refine our corporate operations in the areas outlined previously: risk management, internal auditing, compliance auditing and financial management and information technology improvements.

ACKNOWLEDGEMENTS

CBT's achievements are a testament to the contributions of our dedicated partners, advisory committee members, staff and Board of Directors, who continually help us evolve in order to effectively support communities striving to address their priorities. Their passion and dedication to this organization, and to the people of this region, are helping empower us all, from CBT itself to individual Basin communities.

Garry Merkel retired from CBT's Board of Directors in Dec. 2012. *From left to right:* Josh Smienk, founding CBT Director, Garry Merkel and Greg Deck.

We would specifically like to thank Garry Merkel, who retired as Board Chair at the end of December 2012. Garry was instrumental in the formation of CBT, first as part of the committee that negotiated with the Province of BC for the establishment of CBT, and then as a founding member of CBT's Board. Always a source of wisdom and guidance, he served as Vice-Chair from 1995 to 2006, then Chair from 2006 to 2012.

With his departure, our Board saw additional shifts: Greg Deck moved from Vice-Chair to Chair, while Laurie Page stepped into the Vice-Chair position. We also welcomed Rick Jensen, who came to us from Cranbrook and joined our Board in January 2013.

PUBLIC REPORTING

The *2012/13 Columbia Basin Trust Annual Report* was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of CBT for the 12 months ended March 31, 2013, in relation to the *Service Plan* published in February 2012.

The Board is responsible for ensuring internal controls are in place so that performance information is measured and reported accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks, as of May 28, 2013, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures or targets made since the *2012/13 – 2014/15 Service Plan* was released and any significant limitations in the reliability of data are identified in the report.

Greg Deck
Chair, Board of Directors

Neil Muth
President and CEO

CBT takes an active role in developing opportunities for young people in the Basin, including through the Community Directed Youth Funds and Community Youth Engagement Funds programs.

Organizational Overview

MANDATE

CBT is mandated under the *Columbia Basin Trust Act* to manage its assets for the ongoing economic, environmental and social benefit of the region, without relieving governments of any obligations in the region. CBT is also mandated under the *Columbia Basin Management Plan* to include the people of the Basin in planning for the management of the assets and to work with others to coordinate activities related to the purpose of CBT.

MISSION

CBT supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

VISION

CBT will work toward a long-term vision for the future of the Basin, where:

- the Basin is a place where social, economic and environmental well-being is fostered;
- collaborative relationships and partnerships are established across the Basin; communities work together in a spirit of mutual support and respect for each other's differences; residents identify with a Basin culture and feel a sense of belonging to a Basin community; residents are involved in community decision making;
- a healthy environment is the basis for social and economic activities; residents are committed to long-term and enduring stewardship of the Basin's natural resources; and
- the economy of the Basin is diverse, resilient and energized; communities are responsive to both the needs of the present and the future; community enhancement initiatives are widely supported and residents share responsibility for their implementation; practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

The Fernie Brewing Company is one of the businesses that has benefited from CBT's Summer Works Program.

CBT will also be guided by a long-term vision of itself as a regional corporation, having:

- a successful portfolio of investments in the Basin that help stimulate the regional economy and provide a reliable stream of income for use in CBT's Delivery of Benefits activities;
- a proven track record of delivering social, economic and environmental benefits to the Basin and its residents;
- well-established and productive working relationships with others in the Basin whose activities relate to CBT's mandate; and
- consistent and widespread public support for CBT's activities, based on meaningful public input and CBT's responsiveness to the needs of the Basin and its people.

VALUES

1. Respect: CBT treats people with respect, welcoming varied perspectives and viewpoints and honouring the history of the Basin and the origins of the organization;
2. Accountability: CBT is responsible for all of its actions and the results of those actions;
3. Transparency: CBT maintains a high level of openness, sharing meaningful and accurate information about its actions;
4. Engagement: CBT recognizes that active involvement in communities is critical to its overall success;
5. Empowerment: CBT helps others make their own choices on issues that affect their futures, and see those choices result in positive outcomes; and
6. Stewardship: CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

CORE FUNCTIONS

Formally established by the *Columbia Basin Trust Act* in 1995, CBT serves the people who live in the Basin and assists communities in addressing their needs by:

- providing resources and funding;
- focusing on local priorities and issues;
- bringing people together around key issues;
- providing useful, credible, accessible information and expertise;
- encouraging collaboration and partnerships;
- seeking ongoing input from Basin residents; and
- investing prudently in Basin power projects, businesses and real estate.

CBT has two core functions:

1. Invest capital and manage the assets of CBT; and
2. Spend the income earned from CBT's investments to deliver benefits to the Basin.

Upon creation, CBT received endowments from the Province of BC that represented a portion of the financial benefits resulting from the Columbia River Treaty. As a self-sustaining regional Crown corporation, CBT manages these endowments through its Investment Program, which provides funding for its corporate operations and Delivery of Benefits activities.

CBT operates out of four offices in the Basin: Castlegar, Cranbrook, Nakusp and Golden.

INVESTMENT PROGRAM

The purpose of CBT's Investment Program is to prudently invest the endowments received from the Province, enabling delivery of long-term benefits to the Basin. CBT's Statement of Investment Policies and Procedures (SIPP) provides the necessary guidance to generate a predictable, sustainable and appreciating income stream. The financial returns are then available to fund CBT's current and future Delivery of Benefit obligations, corporate administration expenses and new investment opportunities.

The SIPP details three general categories of investments that CBT will pursue:

1. Power Projects: Hydroelectric power projects located in the Basin;
2. Private Placements: Direct investments and loans to Basin-based commercial businesses and investments in real estate; and
3. Market Securities: A diversified investment portfolio of publicly traded financial instruments, including bonds and equities.

POWER PROJECTS

The *Financing Agreement* with the Province of BC committed CBT to investigating three hydroelectric projects in the Basin region and—if investigations indicated commercial viability—to developing and operating these projects.

A recent socio-economic monitoring report indicated the Waneta Expansion Project continues to have positive impacts in local communities.

Two of these projects were developed in partnership with Columbia Power Corporation (Columbia Power), and the risks and returns are shared on a fifty-fifty basis. The third project, the Waneta Expansion Project, commenced construction in fall 2010. A new ownership model was adopted for this project, in which CBT holds a 16.5 per cent interest in a partnership with Columbia Power (32.5 per cent) and Fortis Inc. (51 per cent). Given the overall size of the project, there was a need to sell the surplus capacity in order to make it financially viable. By entering into the partnership, the project benefited from the additional capital from Fortis Inc., as well as a long-term capacity purchase agreement with FortisBC.

CBT and Columbia Power are also partners in another hydroelectric project, Brilliant Dam, which they purchased together on a fifty-fifty basis.

Brilliant Dam

In 1996, CBT and Columbia Power purchased Brilliant Dam, located eight kilometres from Castlegar on the Kootenay River. The facility was purchased from Teck for $130 million, and the partners invested a further $100 million to extend the life of the facility and increase generating capacity. Brilliant Dam generates enough power to supply 100,000 homes. The majority of the energy is sold to FortisBC under the terms of a 60-year contract.

Arrow Lakes Generating Station

In 2002, construction was completed on Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from existing Hugh Keenleyside Dam on Arrow Lakes Reservoir near Castlegar.

The $300-million project makes use of water that would otherwise be spilled at Hugh Keenleyside Dam. Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All the power is sold to BC Hydro under the terms of a 12-year agreement.

Brilliant Expansion

In 2007, construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from Brilliant Dam near Castlegar. The $245-million project makes use of water that would otherwise be spilled at Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 95 per cent of the electricity is sold under a long-term contract to BC Hydro and the remaining five per cent is sold on a shorter-term arrangement to FortisBC.

Waneta Expansion Project

CBT and Columbia Power entered into a new partnership with Fortis Inc. to develop the Waneta Expansion Project a short distance from Trail near the U.S. border. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to take 4.5 years to complete. All power from the project will be sold to BC Hydro, with surplus capacity sold to FortisBC.

PRIVATE PLACEMENTS

Private Placements include all investments made in Basin-based commercial businesses or real estate. CBT may invest by way of direct ownership (equity), business lending (loans) or a combination of these two structures. Private Placements are generally split into two categories:

1. Commercial Loans and Investments: In accordance with accepted market standards, CBT invests directly in Basin-based businesses to generate financial returns consistent with the levels of risk assumed; and
2. Real Estate Investments: CBT has an ownership interest in eight seniors housing facilities located throughout the Basin, containing 838 living suites that offer a range of support services depending on the needs of the residents. A new addition in 2012/13 was a small portfolio of commercial real estate that CBT hopes to grow over time.

MARKET SECURITIES

This category includes a range of investments such as publicly traded bonds and equities. The portfolio is managed by the British Columbia Investment Management Corporation on behalf of CBT.

www.cbt.org/investments

DELIVERY OF BENEFITS

Using the income earned from its Investment Program, CBT develops, implements and manages programs and initiatives that respond to community and regional needs. This may be done either on its own or through partnerships with other organizations. Basin organizations and residents are engaged throughout the process whether led by CBT or partners. This work is referred to as Delivery of Benefits.

CBT's strategic planning framework guides the development and implementation of activities and resource allocations, both in terms of staff time and funds for programs and initiatives. The strategic priorities in the *Columbia Basin Management Plan* provide a high-level road map that focuses CBT's work in the Basin (www.cbt.org/strategicpriorities). Greater direction related to Delivery of Benefits strategic priorities is captured in sector-specific plans of three- to five-year duration. All plans are developed in consultation with Basin communities and residents.

CBT RESOURCES

This illustration shows the range of resources and services that CBT provides to Basin communities.

Advisory committees also help establish CBT's strategic direction within Delivery of Benefits and provide ongoing feedback on CBT's work in the Basin. CBT has three advisory committees in its core mandated areas of social, economic and environment, plus two program advisory groups that provide advice on youth and water initiatives. Each of these volunteer committees plays an important role in providing community perspectives, sectoral expertise and strategic advice on CBT's activities and priorities.

Delivery of Benefits funds are generally spent through:

- grants to a wide range of community projects, administered either by CBT itself or by community partners;
- programs delivered by community partners, which address specific needs linked to CBT's strategic objectives;
- partnerships with organizations that have complementary objectives and expertise in particular issues or sectors, through which CBT and the partners work toward attaining common goals; and
- facilitation and support of community or regional discussions on issues of importance; CBT often brings together Basin residents to provide information on an issue or to facilitate dialogue on how to address that issue.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

CBT's 12-member Board of Directors consists of one nominee from each of the five regional districts, as well as the Ktunaxa Nation Council. Regional governments nominate these directors to the provincial government and the appointments are made by the Lieutenant-Governor through an order-in-council. The other six directors are appointed directly by the Province. All 12 directors must be residents of the Basin.

For more information on CBT's Board or governance processes and policies, visit www.cbt.org/governance. All Board-approved processes and policies are generally disclosed in accordance with the Board Resourcing and Development Office's disclosure requirements for Crown corporations. As new governance policies and processes are approved by the Board, these are also appropriately disclosed.

GOVERNANCE PRINCIPLES

In governing CBT, the Board is committed to upholding the core values of CBT established in the *Columbia Basin Management Plan* and acting in accordance with the following principles:

Preparation

Directors will ensure they are fully prepared to address the business of CBT.

Transparency

To the greatest extent possible, the actions and decisions of CBT, including those of the Board, will be transparent and open to Basin residents.

Participation and Commitment

Directors will ensure they participate fully as directors and are capable of meeting their commitments to CBT.

Service

The Board will act in the best interests of CBT, which serves the Basin region as a whole.

EXECUTIVE MANAGEMENT COMMITTEE

- Neil Muth, President and CEO;
- Johnny Strilaeff, Vice-President and COO;
- Delphi Hoodicoff, Director, Communications;
- Gary Ockenden, Director, Community Initiatives;
- Sabrina Curtis, Director, Sector Initiatives; and
- Kindy Gosal, Director, Special Initiatives.

CBT BOARD OF DIRECTORS

Ongoing Board Members		Board Members Until Dec. 31/12	Board Members as of Jan. 1/13
Greg Deck, Vice-Chair*/Chair**	Cindy Gallinger	Garry Merkel, Chair	Rick Jensen
Laurie Page, Vice-Chair**	Am Naqvi		
Denise Birdstone	Andru McCracken		
Wendy Booth	Paul Peterson		
Kim Deane	David Raven		
Gord DeRosa			

*Until Dec. 31/12 **As of Jan. 1/13

Back row from left to right: Kim Deane, Greg Deck (Chair as of Jan. 1/13), Wendy Booth, Paul Peterson, Am Naqvi; *Middle row from left to right:* Rick Jensen, Cindy Gallinger, Gord DeRosa, David Raven, Andru McCracken; *Front row from left to right:* Denise Birdstone, Laurie Page (Vice-Chair as of Jan. 1/13).

Garry Merkel, Chair to Dec. 31/12

CBT Board Committees

Board Committees	Executive Committee	Delivery of Benefits Committee
CBT Board committees address issues on behalf of the Board and report back to the Board on a regular basis. Committees assess their performance against their terms of reference annually. The Chair of the Board is the Executive Committee Chair and an ex-officio and voting member of all other Board committees.	Acts on behalf of the Board between Board meetings, ensures that appropriate governance policies and practices are developed and implemented, ensures that a human resources framework is developed and maintained and addresses any other matters referred to it by the Board.	Assists the Board in fulfilling its oversight responsibilities related to the governance and management of Delivery of Benefits programs, initiatives and activities.
	Garry Merkel, Chair[1]	Kim Deane, Chair
	Greg Deck, Vice-Chair[1]/Chair[2]	Wendy Booth
	Kim Deane	Greg Deck
	Am Naqvi	Andru McCracken
	Laurie Page, Vice-Chair	Am Naqvi
		Laurie Page

Finance and Audit Committee	Investment Committee	Water Initiatives Committee
Assists the Board in fulfilling its financial accountability and oversight responsibilities by ensuring the accuracy and integrity of CBT's financial information, monitoring systems of internal controls and overseeing the internal and external audit processes.	Assists the Board in fulfilling its oversight responsibilities related to the governance and management of the CBT portfolio of investments.	Assists the Board in fulfilling its oversight responsibilities related to the governance and management of CBT's Water Initiatives.
Am Naqvi, Chair	Greg Deck, Chair	David Raven, Chair
Denise Birdstone	Wendy Booth	Denise Birdstone
Gord DeRosa	Cindy Gallinger	Gord DeRosa
	Rick Jensen[2]	Cindy Gallinger
	Paul Peterson	Paul Peterson
	David Raven	

[1] To Dec. 31/12 [2] From Jan. 1/13

BOARDS OF CBT SUBSIDIARIES

Subsidiary Holding Companies

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests in investments. The boards of these subsidiaries do not address policy matters. Directors of these holding company subsidiaries consist of CBT senior management Neil Muth, President and CEO, and Johnny Strilaeff, Vice-President and COO.

- CBT Commercial Finance Corp. holds CBT interests in Commercial Loans and Investments;
- CBT Real Estate Investment Corp. holds CBT interests in Real Estate Investments and its Castlegar office building;
- CBT Energy Inc. (CBTE) is the main CBT subsidiary related to Power Projects;
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds CBT's interest in the Arrow Lakes Generating Station joint venture with Columbia Power;
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds CBT's interest in the Brilliant Expansion joint venture with Columbia Power;
- CBT Power Corp. is a subsidiary of CBTE and holds CBT's interest in the Brilliant Dam joint venture with Columbia Power;
- CBT Waneta Expansion Power Corp. is a subsidiary of CBT that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project; and
- CBT Property Corp. is a subsidiary of CBT that holds its corporate real estate (CBT's Golden office building).

Operating Subsidiaries

The Columbia Basin Broadband Corporation is an active operating subsidiary of CBT and was formed with a mission to provide connectivity to a world-class open access broadband network across the Basin. It operates out of CBT's offices in the Basin. The Board consists of Kim Deane, Greg Deck, Garry Merkel, Ron Miles and Jim Miller.

CBT DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS
APRIL 1, 2012 – MARCH 31, 2013

	Board	Executive	Finance and Audit	Delivery of Benefits	Investment	Water Initiatives
Total number of meetings	9	13	7	7	8	5
Garry Merkel[1]	6/6	6/6				
Greg Deck	9/9	13/13		7/7	8/8	
Am Naqvi	8/9	11/13	7/7	5/7		
Kim Deane	9/9	13/13		7/7		
Paul Peterson	8/9				8/8	5/5
David Raven	8/9				8/8	5/5
Denise Birdstone	8/9		6/7			4/5
Cindy Gallinger	9/9				7/8	5/5
Wendy Booth	9/9			7/7	8/8	
Laurie Page	9/9	13/13		7/7		
Gord DeRosa	9/9		7/7			4/5
Rick Jensen[2]	3/3				1/1	
Andru McCracken	9/9			6/7		

[1] *Term ended December 31, 2012.* [2] *Term started January 1, 2013.*

THE PROVINCE OF BC AND CBT

The *Columbia Basin Trust Act* establishes the Province of BC as the shareholder of CBT. Within the provincial government, the Minister of Jobs, Tourism and Skills Training is responsible for CBT. The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the *Financial Agreement* and the *Columbia Basin Trust Act*. The *Government's Letter of Expectations*, signed September 2012, further defines the roles and responsibilities of the Minister of Jobs, Tourism and Skills Training and CBT. www.cbt.org/glc

DIRECTION FROM GOVERNMENT'S LETTER OF EXPECTATIONS

Requested Corporate Accountabilities	CBT Alignment
Support the efforts of Basin residents and communities to strengthen the social, economic and environmental well-being in the region through Delivery of Benefits activities and effective stewardship of the Corporation's resources.	• A range of social, economic, environmental, youth, water and community related initiatives have been supported over the past year and a number of new initiatives will be launched in 2013/14. CBT has stewarded its resources such that it is fully able to fund Delivery of Benefits activities in the Basin.
Manage its investments in a manner consistent with its Board-approved Statement of Investment Policies and Procedures such that the Corporation can fund current and future Delivery of Benefits activities and corporate operations.	• CBT has managed its investments in a manner consistent with the Statement of Investment Policies and Procedures. It is able to fully fund current Delivery of Benefits activities and corporate operations, and anticipates being able to do the same in the future.
Report on performance measures that demonstrate levels of success achieved during the reporting year. This includes ensuring directors nominated by regional districts and the tribal council pursuant to the *Columbia Basin Trust Act* report on the Corporation's activities to their respective nominating bodies.	• CBT reports on its performance measures in its Annual Report and offers to review its activities with the regional districts and Ktunaxa Nation Council.
Ensure that it does not purport to represent the Government in any statements or matters of an interprovincial, federal-provincial or international nature.	• CBT has not purported to represent the Government in any matters.
Ensure that residents and stakeholders in the Columbia Basin have opportunities to consult, collaborate, engage and partner on projects that deliver economic, environmental and social benefits to residents and communities in the Columbia Basin.	• Strategic plans for the Delivery of Benefits are developed in consultation with Basin residents and communities. • CBT engages regularly with advisory committees made up of Basin residents who volunteer their time to provide advice to CBT on the Delivery of Benefits. • CBT partners with a wide variety of community organizations.
Comply with requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in Pacific Carbon Trust.	• Complied with requirements and continued to implement the Carbon Neutral Action Plan into CBT operations. • www.cbt.org/cnat

Report on Performance

INVESTMENT PROGRAM

Investment Program Goal 1

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate administration expenses.

Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high-quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
4. Remain fully engaged with the management of Columbia Power Corporation (Columbia Power) and Fortis Inc. during the pre-development and operating phases of its jointly held power projects.

MEASURES		Results	Results	Target	Actual	Targets		
		2010/11	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16
Power Projects	1 Year	7.3%	10.1%	10.5%	10.7%	8.0%	8.0%	8.0%
	3 Year	7.3%	8.4%		9.3%			
	5 Year	6.9%	7.7%		8.5%			
	10 Year	5.9%	6.7%		6.8%			
	Inception	5.4%	5.7%		6.0%			
Private Placements	1 Year	8.3%	7.3%	2.9%	2.5%	8.0%	8.0%	8.0%
	3 Year	7.9%	7.8%		6.0%			
	5 Year	9.0%	8.7%		6.7%			
	10 Year	2.8%	2.9%		2.4%			
	Inception	2.0%	2.4%		2.4%			
Market Securities	1 Year	10.1%	1.6%	1.4%	7.8%	6.0%	6.0%	6.0%
	3 Year	-	10.6%		6.4%			
	5 Year	-	-		-			
	10 Year	-	-		-			
	Inception	4.3%	3.1%		3.9%			

HIGHLIGHTS

The first two and a half years of construction of the Waneta Expansion Project progressed well. Several key construction milestones were reached in 2012/13 and a viewing area was opened in June 2012 to keep the public safe as construction activities ramped up. Worker safety continued to be a key focus

of the contractor, and the safety record over the course of the fiscal year was exemplary. Development continued within budget and on schedule, with completion expected by spring 2015.

In June 2012, Brilliant Expansion experienced a mechanical issue resulting in a short-term outage. The issue has been addressed and negotiations are underway with the contractor to recover a portion of the costs and lost revenue.

Efforts have been made to grow the Private Placements portfolio by building CBT's referral network of financial and business contacts in the region. This strategy provides structure for the investment process, while also providing the flexibility to evaluate opportunities that require solutions not typically offered by other regional investors. A total of 30 investment opportunities were referred to CBT in 2012/13, resulting in $9.5 million in new regional investment.

Market interest rates continued to hover near historic lows, which had a negative impact on CBT's Commercial Loans and Investments. However, the lower return from Commercial Loans and Investments was partially offset by enhanced returns in Real Estate Investments. CBT's seniors housing facility in Invermere, Columbia Garden Village, was expanded by 35 residential care beds, adding to the long-term value of the Investment Program. Another new addition in 2012/13 was a small portfolio of commercial real estate that CBT hopes to grow over time.

CBT's *Statement of Investment Policies and Procedures* (SIPP) provides the framework for its long-term Investment Program strategy. The SIPP was originally approved by the Board in 2007 and is subject to review every two years. The policies continue to provide a robust framework for the Investment Program.

MEASURES

Each of CBT's three categories of investment has a distinct risk and return profile, so CBT has adopted three different performance measures to reflect these differences. These measures have been in the SIPP since July 2007 and set ongoing targets for each category of investment.

1. Power Projects: 8 per cent calculated as a Cash-based Return on Investment;
2. Private Placements: 8 per cent calculated as a Cash-based Return on Investment; and
3. Market Securities: 6 per cent calculated as a Return on Investment.

Using a Cash-based Return on Investment methodology for Power Projects and Private Placements allows CBT to clearly link returns from these investments to cash available for Delivery of Benefits activities and corporate administration expenses. CBT has adopted a Return on Investment methodology for the Market Securities portfolio that includes cash returns, as well as increases or decreases in the value of the market securities themselves. The Global Investment Performance Standards, as adopted by the CFA Institute, are the basis for this methodology, and the calculation is completed by CBT's external investment manager, the British Columbia Investment Management Corporation.

In the case of Power Projects, there are a number of agreements between CBT, the Province of BC and Columbia Power that make it difficult to reconcile performance with that observed in the private market. A similar issue arises with Private Placements, as CBT must only invest in commercial

opportunities in the Basin. Despite these challenges and difficulty in benchmarking performance to other organizations, CBT arrived at an 8 per cent performance target for both Power Projects and Private Placements.

CBT hosted the Columbia Basin Lenders Networking Event, with the goal of improving access to capital for Basin businesses.

The Market Securities category allows for easier market comparison, as there are a number of public investment portfolios of comparable risk. CBT established a 6 per cent performance target based on a review of similarly constructed portfolios, combined with an assessment of historical returns observed in the general marketplace.

These three targets remain the same throughout the *Service Plan* period of 2013/14 to 2015/16.

RESULTS

All values used in the calculation of investment returns for Power Projects and Private Placements were obtained from CBT's 2012/13 audited financial statements. Returns were calculated by accounting staff and reviewed by investment staff. Returns for Market Securities were calculated in accordance with the Global Investment Performance Standards as adopted by the CFA Institute.

Power Projects

The annual return on Power Projects was 10.7 per cent for 2012/13, compared with the *Service Plan* target of 10.5 per cent. Hydroelectric power projects remain the largest contributor to CBT's investment portfolio and, with the exception of a mechanical issue at Brilliant Expansion, largely performed to expectations for the year. Once the Waneta Expansion Project comes into commercial operation, returns are expected to increase significantly.

Arrow Lakes Generating Station

Arrow Lakes Generating Station generated a small loss of $517,000 in 2012/13. In April 2011, a $350-million financing deal was closed in order to raise the funds required for the construction of the Waneta Expansion Project. The increased interest expense associated with this borrowing is the reason for the small loss in 2012/13. This was part of a broader financing plan and the loss experienced at Arrow Lakes was expected and planned for. All power generated at Arrow Lakes Generating Station is sold to BC Hydro under the terms of a 12-year contract that matures in 2015. In order to secure the financing required for the Waneta Expansion Project, BC Hydro agreed to a 30-year extension of the agreement, scheduled to commence January 1, 2016.

Brilliant Dam

Brilliant Dam generated $9.9 million in revenue in 2012/13. Results were slightly better than in 2011/12, with revenue from energy sales increasing and interest costs on long-term debt decreasing.

Brilliant Expansion

Brilliant Expansion generated $9.3 million in revenue in 2012/13. Approximately $2.1 million of this amount was received under the federal EcoEnergy Program. In June 2012, a mechanical issue caused a seven-day unplanned outage in June and an additional five-day outage in July. Repairs were made and negotiations are underway with the contractor to recover some of the costs of repair and loss of revenue due to the outages.

Private Placements

The return on Private Placements was 2.5 per cent, as compared to the 7.3 per cent earned in 2011/12 and the *Service Plan* target of 2.9 per cent. The decrease is largely due to a loan impairment (see below). Had this impairment not been deemed necessary, the return on the portfolio would have been 6.1 per cent. This category of investment includes CBT's investment in real estate and in Basin-based businesses.

Commercial Loans and Investments

The return on Commercial Loans and Investments was negative 2.4 per cent, well below 6.1 per cent in 2011/12. This decrease is due mainly to a loan impairment. An assessment made on the portfolio determined there was a requirement for a loan loss provision to a specific loan. This is not an actual loss at this stage, however, but a determination that there is a risk of loss. Additionally, market interest rates continue to remain near historic lows and this also had a negative impact on returns. Overall investment balances increased to $24.4 million, from $18.2 million in 2011/12, and this positive trend is anticipated to continue into 2013/14. A total of 30 opportunities were reviewed and CBT approved $9.5 million in new investment.

Real Estate Investments

The return from Real Estate Investments showed little change in 2011/12, remaining at 8.8 per cent. CBT's portfolio of seniors housing facilities and the new investment in commercial real estate are significant contributors to the Investment Program. The low market rates have had a positive impact on the real estate portfolio, as a combination of equity and debt is used to fund the construction and/or purchase of real estate.

Market Securities

Continued volatility remained the hallmark of global financial markets for 2012/13. Much of Europe remains mired in a recession with a variety of austerity-driven programs slowing growth. An election year in the U.S. compounded an existing political impasse over any resolution on debt issues. Canada's economy started on a positive note and slowed during the year in all sectors from housing to consumer spending and exports. Within this environment, the return on CBT's Market Securities was 7.8 per cent, exceeding the 1.6 per cent realized in 2011/2012 and above the benchmark return of 6 per cent for the portfolio. This figure is also well above the *Service Plan* target of 1.4 per cent—a target that was established prior to significantly improved financial market performance in the latter part of the fiscal year. All of CBT's investments are long-term in nature and are intended to create value over time.

DELIVERY OF BENEFITS

Delivery of Benefits Goal 2

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.

Strategies

1. Encourage long-term stewardship of the Basin's natural assets and help build the ability to take action to meet environmental challenges.
2. Actively foster and support local and regional economic resiliency and well-being.
3. Help communities respond to social issues and make social considerations part of strengthening community well-being.
4. Work with communities and youth to enhance youth opportunities and engagement.
5. Support Basin residents to increase their awareness and understanding of water issues, and take steps to address issues.
6. Support local communities and regions in identifying and meeting their priorities.

MEASURES	Baseline	Target	Results	Targets	
	2010/11	2012/13	2012/13	2013/14	2014/15
Assessment by Basin Residents of CBT's Effectiveness	74%	78%	74%	N/A	Over 70%
Assessment by CBT Partners of CBT's Effectiveness	96%	96%	94%	N/A	Over 90%

HIGHLIGHTS

In 2012/13, CBT delivered $19.3 million in direct funding benefits within the Basin through a variety of projects, programs and initiatives. In addition, CBT provided $558,000 for broadband initiatives. Highlights from the past year are numerous. For example, CBT:

- committed $3 million to the Kootenay-Koocanusa Fish and Wildlife Program, which will help protect and enhance fish, wildlife and habitats in and around Koocanusa Reservoir and its tributaries in the Kootenay River system;
- contributed $560,000 to College of the Rockies toward the costs of purchasing the latest mining haul truck simulators, which will enable Basin residents to train to work in the Kootenays' thriving mining sector;
- supported community projects with nearly $3 million through our Community Development Program;
- had the first call for proposals under a three-year, $10-million partnership with BC Housing to create affordable rental housing in the Basin;
- delivered the first year of a $4.5-million, three-year commitment to the student wage subsidy programs School Works and Summer Works, which encourage Basin businesses to hire students over the summer, and businesses and other organizations to hire students during the school year;
- supported projects that helped to maintain or enhance environmental conditions and provide

educational information in and around their communities with $1 million through the Environmental Initiatives Program;

- made progress on laying a foundation for bringing broadband to the Basin through the Columbia Basin Broadband Corporation, a CBT subsidiary created to develop a world-class open-access broadband network across the Basin;
- expanded Community Directed Youth Funds—a $2.25-million program that commits $100,000 over a four-year period to qualifying communities to enhance local opportunities and services for youth aged 12 to 19—to a total of 15 Basin communities and their catchment areas; and
- initiated Community Directed Funds in the Columbia and Elk valleys, providing funding and support for groups of communities to work together to set priorities and manage funds to address regional issues.

These examples demonstrate how CBT: 1) helped address critical needs in the Basin; and 2) worked closely with communities to help them identify their own priorities, while also providing funds to help them achieve those priorities.

During 2012/13, CBT continued to follow the overarching direction set out in its *Strategic Priorities 2011 – 2015*, as well as more detailed strategic plans for each of the key Delivery of Benefits-related areas. All of these plans were written in consultation with Basin residents to ensure CBT's activities meet current and future needs. They provide guidance for pursuing opportunities, developing external relationships and partnerships and allocating staff resources.

CBT also continued to explore potential new roles it can play in communities. Emerging opportunities have been identified, and CBT will use available information and trends—and initiate additional research and analysis where required—to see how it might add value to addressing those opportunities.

MEASURES

Measuring CBT's Delivery of Benefits performance is a challenge given that the organization has a broad mission and mandate, that it plays a variety of roles (e.g., funder, facilitator, information resource) and that its activities often have qualitative, as opposed to quantitative, outcomes.

CBT delivered workshops around the Basin on developing and funding community projects.

Because CBT is accountable to Basin residents—and because it ultimately supports efforts of residents and the well-being of the region—the organization is measuring how Basin residents' perceptions of CBT change over time; the particular question is whether residents feel CBT is making a positive difference in their lives and communities. This approach gives CBT meaningful feedback on whether its key stakeholders feel the organization is fulfilling its mission. It also helps CBT understand the impacts of its range of roles and its overall effectiveness.

CBT is also measuring its performance by assessing the perceptions of its partners: Do its partners feel CBT is making a positive difference in their communities? CBT has many partners, including local governments, regional non-profit bodies and organizations that have similar mandates. CBT engages with its partners regularly to explore opportunities for collaboration, and CBT's partners are the conduits through which numerous programs and initiatives are delivered to residents.

CBT uses an independent market research firm for this assessment, and the survey is being repeated every two years to allow sufficient time for residents and partners to work with CBT and for CBT to complete additional work related to its strategic priorities. CBT first measured Basin residents' and partners' perceptions in late 2010 and the measure was repeated in fall 2012.

CBT also takes more frequent steps to monitor the diversity of roles it plays and the range of outcomes it strives to attain. It continues to develop performance measures and success indicators for key initiatives and partnerships. CBT also continues to evaluate its programs and initiatives, typically via external consultants who use a range of data collection and stakeholder engagement methods. Throughout the year, CBT's Board can then view how the organization's progress compares to its strategies and identify opportunities for improvement.

RESULTS

In 2010/11, CBT surveyed residents and partners on their perceptions of whether CBT was making a positive difference in communities; this information was used as a baseline. The perceptions were measured again in fall 2012.

Within the sample of the 2012 survey, 86 per cent of residents indicated they had at least some familiarity with CBT, of whom 74 per cent either strongly agreed or somewhat agreed that CBT is making a positive difference in their communities. CBT had set a target of 78 per cent for 2012/13. Survey results based on a sample size of 815 are statistically accurate to within a maximum of +/- 3.5 per cent, which sets the actual results close to the *Service Plan* target of 78 per cent.

Fifty CBT partners responded to the 2012 survey and 94 per cent indicated they either agreed or somewhat agreed that CBT was making a positive difference in their communities. The figure of 96 per cent was the baseline reported for 2010/11 and was its *Service Plan* target for 2012/13. The two per cent shortfall from this target falls well within the +/- 7.6 per cent margin of error.

CBT continues to be viewed very positively by residents and partners in the Basin. After completing the survey process for a second time and measuring against the baseline from 2010/11, it has become apparent that targets that vary two or four per cent from the previous measure are not meaningful given the statistical margin of error. As a consequence, CBT has adjusted its targets to provide the organization with more useful information about changes in perception over time. In the *Service Plan*, the targets for 2014/15 have therefore been adjusted to "over 70 per cent" for residents' perceptions and "over 90 per cent" for partner perceptions, rather than exact percentages.

The descriptions of these measures can be viewed online in Appendix 2 of the *2013/14 – 2015/16 Service Plan* at www.cbt.org/serviceplan.

CORPORATE OPERATIONS

Corporate Operations Goal 3

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

Strategies

1. Develop a formal risk management framework.
2. Review and implement improvements to the various business processes that support CBT's activities, including processes related to contract management, records management and information management systems.
3. Ensure CBT is viewed as an employer of choice, including by developing human resources strategies and supports, such as an individualized employee performance framework and appropriate benefits.
4. Implement appropriate sustainability principles and practices in CBT's everyday activities, including through the execution of a corporate carbon neutral action plan.

MEASURES	Baseline	Target	Results	Targets		
	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16
Maturity of Planning Practices	3	4	3	3	4	4
Maturity of Risk Management Practices	2.5	3	2.5	3	4	4
Budget Variance for Corporate Operations	(5.3%)	5%	(9%)	5%	5%	5%

HIGHLIGHTS

Throughout 2012/13, CBT had the capacity to achieve its planned results. In order to support and enable the effective management of its Investment Program and Delivery of Benefits, CBT continued to refine its corporate operations in the areas outlined below.

CBT continued to formalize its approach to managing risk within its operations by engaging Risk Management Branch, a branch of the Ministry of Finance, to provide advice and assist management in developing a risk register. Senior management held several sessions that included identifying the key risks CBT faces in achieving its business objectives, analyzing the likelihood and consequence of the risk events, evaluating the appropriateness of current controls and establishing whether any treatment is required to manage risk exposure.

CBT's Board, with direct oversight managed by the Finance and Audit Committee, reviewed the draft risk register at its March 2013 meeting, with the objective of getting formal approval from the Board in May 2013.

Over 2013/14, management will continue to create a sustaining enterprise-wide risk management environment that will include developing effective policies, procedures and frameworks to help direct the organization's risk management strategy. This will include communicating with and training all staff to ensure each individual is incorporating the concepts of risk management into CBT's day-to-day operations.

In addition to developing the risk register, CBT also appointed Ernst & Young to a three-year internal audit engagement. Internal audit plays a key role in overall corporate governance by monitoring organizational risks and ensuring organizational processes are efficient and effectively controlled. A three-year internal audit plan was approved by the Board in March 2013, and three projects were identified and approved for 2013/14.

The accounting firm of Yule Anderson was appointed for two years to perform compliance audits on selected projects that receive CBT funding under its Delivery of Benefits program. Six projects were chosen for 2012/13, and final reports are expected in June 2013.

Work continued on the Financial Management Improvement Project initiated in 2011/12, with a specific focus on acquiring new software to support the organization. An internal working group was established to identify the needs and requirements for a new system, and, after a lengthy procurement process, a successful proponent was approved. Implementation of the new system began in spring 2013, with completion expected by the end of the year.

An organization-wide contract management session was held in September 2012 to provide support to staff in developing and managing contracts, and improvements to internal processes were developed.

Due to constraints in operational budgets in 2012/13, efforts to strengthen human resource strategies were not able to move forward. However, we continued to support human resource activities using innovative approaches within these constraints. The evolvement of this strategy is expected to formally commence in 2014/15.

To protect the Basin's natural biodiversity, CBT encourages environmental education and awareness for all generations and supports several environmental programs for children, including Know Your Watershed. *In photo:* Students from Kimberley's Selkirk Secondary School visit the local waste water treatment facility.

The continuing use of teleconferencing, video conferencing and carpooling within the organization supported CBT's efforts for carbon neutrality. In addition to these corporate efforts, CBT also supported a variety of community projects aimed at reducing carbon emissions through its Delivery of Benefits programs.

An external consulting firm finalized a comprehensive review of CBT's Information Technology department. The objective of the review was to ensure the department has the necessary skills, assets and strategic capability to deliver exceptional support and customer service to the entire organization. Over 2013/14, management will be moving forward with implementation of recommendations from the review.

CBT also commenced a review of internal practices and compliance with the *Freedom of Information and Protection of Privacy Act*. Over 2013/14, management will be moving forward with implementation of recommendations from the review.

In September 2012, CBT reorganized its internal structure, including shifting and redefining departments and adjusting certain staff responsibilities. The goal was to ensure the organization is structured in the best way possible to support all activities and effectively and efficiently manage its Delivery of Benefits budget—which not only has grown in the past, but is expected to grow significantly in the future. The shift has enabled better integration between Delivery of Benefits departments themselves, plus between Delivery of Benefits and support departments like Information Technology and Accounting. It has also helped CBT address the increased complexity of accounting standards and reporting requirements, plus enhanced its program evaluation efforts.

MEASURES

In order to measure the effectiveness of the performance of its integral corporate functions, CBT continued to use the three measures that were introduced in 2010/11.

Maturity of Planning Practices

By annually assessing the maturity of its planning practices, CBT ensures that planning (including prioritization, business and operational planning and the allocation of resources) is fully indoctrinated within the organization.

Maturity of Risk Management Practices

By annually assessing the maturity of its risk management practices, CBT ensures the organization is making progress toward developing and implementing an enterprise-wide risk management framework.

Both planning and risk management practices are assessed against a set of descriptions representing four levels of attainment, from level one (absent or immature practices) to level four (a fully mature state with widespread adoption and implementation of practices). Current levels of maturity and targets are discussed and approved by the Board.

Average Budget Variance and Contributing Factors

By measuring budget variances for administration expenses, CBT assesses its ability to forecast

appropriately and set realistic budgets, as well as manage its resources effectively over the course of the fiscal year.

Budget variance is calculated as the difference between the budget, approved by CBT's Board each January of the preceding year, and actual results, as reported in CBT's consolidated financial statements at the fiscal year-end. Targets are established by reviewing historical performance and budget variances, considering the degree of actual costs that could reasonably be expected to deviate from the budget and, most importantly, assessing CBT's tolerance for budget variances.

RESULTS

For 2012/13, it was determined CBT had attained a level three for maturity of planning practices, meaning the organization has developed higher-level plans but needs to more closely integrate those plans with its ongoing operations and resource allocation. This is lower than the *Service Plan* target of 4. Although CBT made significant improvements in its maturity of planning practices over the year, based on the criteria identified for the different ratings, it was not able to achieve the level forecast for 2012/13.

For maturity of risk management practices, a level of 2.5 was attained, meaning the organization has identified corporate risks and developed some strategies to address them, but still needs to better articulate its overall tolerances for risk and implement a formal enterprise-wide risk management system. This is lower than the *Service Plan* target of 3. Although CBT made significant improvements in its maturity of risk management practices over the year, it did not fulfil all the criteria necessary to achieve the target set for 2012/13.

Total administration expenses were under budget by $584,000, resulting in a 9 per cent variance, as compared to the 6.5 per cent variance set as the *Service Plan* target. This variance is reflective of the prudent financial oversight that management has maintained over corporate administration costs and CBT's positive efforts to reduce administration expenses. The variance in the *Service Plan* for 2013/14 to 2015/16 shows that CBT allows for a 5 per cent budget variance. CBT established this target after reviewing historical performance and budget variances, and considered the degree of actual costs that could reasonably be expected to deviate from the budget.

The descriptions of these measures can be viewed online in Appendix 3 of the *2013/14 – 2015/16 Service Plan* at www.cbt.org/serviceplan.

Management Discussion and Analysis

This Management Discussion and Analysis provides management's perspective of the consolidated financial position and results of operations of CBT for the year ended March 31, 2013. It should be read in conjunction with the audited consolidated financial statements and associated notes and material contained in the *Annual Report*. Forward-looking statements contained in this discussion are based on management's beliefs and information currently available and are subject to risks and uncertainties. As such, actual results could differ materially from those set forth in this discussion.

RESULTS OF OPERATIONS

Total revenues in 2012/13 were $25.7 million, an increase of $2.7 million over 2011/12 and $1.1 million higher than forecasted in the *2012/13 – 2014/15 Service Plan*. This increase was primarily due to increased revenue from two of our power project facilities.

RESULTS OF OPERATIONS
(in thousands)

		(Restated)	Variance	
	2012/13	**2011/12**	**Amount**	**%**
Revenues				
Power Projects	$19,734	$16,371	$3,363	20.5%
Short-term Investments	1,613	2,106	(493)	-23.4%
Loan Income	1,130	1,135	(5)	0.0%
Private Placements – Commercial Loans	925	1,163	(238)	-20.5%
Private Placements – Real Estate	818	627	191	30.5%
Market Securities	611	860	(249)	-29.0%
Broadband Operations	400	(110)	510	-463.6%
Recoveries	367	786	(419)	-53.3%
Rental Revenue	52	-	52	0.0%
	25,650	**22,938**	**2,712**	**11.8%**
Expenses				
Water and Environment Initiatives	7,518	6,802	716	10.5%
Social Initiatives	5,841	2,576	3,265	126.7%
Community Development Initiatives	5,508	8,749	(3,241)	-37.0%
Economic Initiatives	2,779	2,887	(108)	-3.7%
Youth Initiatives	1,867	1,296	571	44.1%
Broadband Initiatives	558	-	558	0.0%
Investment Initiatives	531	913	(382)	-41.8%
Other Initiatives	401	231	170	73.6%
	25,003	**23,454**	**1,549**	**6.6%**
Private Placements – Impairment Loss	**(1,400)**	-	**(1,400)**	**0.0%**
Annual Deficit	**$(753)**	**$(516)**	**$(237)**	**45.9%**
Accumulated Surplus	**$410,919**	**$410,574**	**$345**	**0.0%**

CBT delivered $19.3 in new funding benefits to communities to support Delivery of Benefits activities in the Basin and recovered approximately $800,000 in funding benefits recorded in previous fiscal years. Delivery of Benefits activities included all activities related to social, economic, water and environment, youth and broadband initiatives.

The fiscal year's deficit was $753,000, approximately $1.2 million lower than budgeted in the *Service Plan*, largely attributable to the increased revenues from Power Projects. Over the last several years, CBT's Investment Program earnings have increased, making more funds available for delivering benefits to the Basin. Instead of immediately using the new funds, however, we built our capacity to return higher levels of benefits over the long term by accumulating surpluses in those years. As a result, CBT was able to fully fund a higher level of benefits in 2012/13 (and into the next two fiscal years) without incurring any operational or financial issues as a result of the deficit.

POWER PROJECTS

Power Projects revenues consist of net income received from the three hydroelectric operating power projects in which CBT is a fifty-fifty partner with Columbia Power, as well as annual interest income in Waneta Expansion Power Corporation. Net income from Power Projects increased by $3.3 million from 2011/12.

POWER PROJECTS
(in thousands)

			Variance	
	2012/13	2011/12	Amount	%
Brilliant Dam				
Revenues	$20,693	$20,567	$126	0.6%
Expenses	10,839	10,929	(90)	-0.8%
Net Income	**9,854**	**9,638**	**216**	**2.2%**
Brilliant Expansion				
Revenues	16,649	15,240	1,409	9.2%
Expenses	7,321	7,455	(134)	-1.8%
Net Income	**9,328**	**7,785**	**1,543**	**19.8%**
Arrow Lakes Generating Station				
Revenues	18,511	18,079	432	2.4%
Expenses	19,028	20,144	(1,116)	-5.5%
Net (Deficit)	**(517)**	**(2,065)**	**1,548**	**-75.0%**
Waneta Expansion				
Revenues	1,069	1,013	56	5.5%
Expenses	-	-	-	-
Net Income	**1,069**	**1,013**	**56**	**5.5%**
	$19,734	**$16,371**	**$3,363**	**20.5%**

Power sales revenues and expenses at Brilliant Dam remained consistent with those in 2011/12.

Net income at Brilliant Expansion increased by $1.5 million in 2012/13 from the previous year. Brilliant Expansion experienced revenue losses due to a mechanical failure, which were offset by a budgeted allowance for unplanned outages and higher revenues related to a five-year power sales agreement with FortisBC.

Strong operating performance at Arrow Lakes Generating Station saw the net deficit decrease by $1.5 million. This is a result of minimal unplanned outages and lower operations and maintenance costs.

A Promissory Note, held in the Waneta Expansion Power Corp., accrues interest annually and will continue to do so until 2020, when the Promissory Note will be recognized at its full value. CBT's portion of interest income in 2012/13 was $1 million.

SHORT-TERM INVESTMENTS

Short-term Investments revenue consists of interest revenue from a portfolio of short-term deposits held at financial institutions and with the British Columbia Investment Management Corporation. Revenues decreased slightly in 2012/13, as portfolio balances decreased throughout the year as monies were transferred for CBT's investment in the Waneta Expansion Project. Monies were also used for Delivery of Benefits liabilities, new investment opportunities and corporate administration expenses. Deposits in the portfolio happened throughout the year by way of dividend transfers from both power and non-power investments.

SHORT-TERM INVESTMENTS
(in thousands)

			Variance	
	2012/13	2011/12	Amount	%
Short-term Investments	$1,613	$2,106	$(493)	-23.4%

PRIVATE PLACEMENTS

Real Estate Investments

Real Estate Investments includes CBT's ownership interest in seniors housing facilities located in eight Basin communities. Net income received from Real Estate Investments increased slightly to $818,000, from $627,000 in 2011/12. This was largely due to lower interest expense for two facilities that were refinanced in 2012/13 at lower interest rates.

PRIVATE PLACEMENTS
(in thousands)

			Variance	
	2012/13	2011/12	Amount	%
Real Estate Investments	$818	$627	$191	30.5%
Commercial Loans and Investments	925	1,163	(238)	-20.5%
	$1,743	**$1,790**	**$(47)**	**-2.6%**

Commercial Loans and Investments

Revenues received from Commercial Loans and Investments were slightly lower in 2012/13 due to lower portfolio balances in the earlier portion of the fiscal year. Throughout the year, a total of $9.5 million in new commercial loans was approved.

LOAN INCOME

A $20-million loan was advanced to Columbia Power in April 2011. Interest only will be payable until April 2016, at the rate of 5.67 per cent, after which the loan will be repayable in 50 semi-annual payments of principal and interest. Revenue received in 2012/13 from this loan totalled $1.1 million.

MARKET SECURITIES

CBT's diversified Market Securities portfolio recorded $611,000 in revenues compared to $860,000 in 2011/12. An unrealized gain of $1.1 million was also recorded on the Statement of Remeasurement Gains and Losses and was accounted for in Accumulated Surplus. The market value of this portfolio at the end of 2012/13 was $23.6 million.

MARKET SECURITIES
(in thousands)

			Variance	
	2012/13	2011/12	Amount	%
Market Securities Revenues	$611	$860	$(249)	-29.0%
Unrealized Gain/(Loss)	$1,098	$(538)	$1,636	304.1%

RECOVERIES

CBT recovers costs from Columbia Power for shared information technology services and assets, as well as rental income for the second floor of the CBT building in Castlegar. Recoveries were also received for management services from CBT's Power Projects subsidiaries. Recoveries were lower in 2012/13, as services provided to Columbia Power for information technology services and management time spent on jointly owned power projects were both reduced.

EXPENSES

Delivery of Benefits

In 2012/13, CBT delivered $19.3 million in funding benefits to Delivery of Benefits activities in the Basin. For accounting purposes, Delivery of Benefits expenses are recorded in the year that CBT authorizes the transfer and all eligibility criteria are met. Throughout a year, funds may be recovered, or future payments rescinded, if circumstances change or conditions or performance objectives are not met. In 2012/13, approximately $800,000 in recoveries were recorded.

In addition to the funding benefits provided to Basin communities, CBT has allocated support services expenses to each major initiative area using an appropriate cost allocation methodology. In the case of CBT's wholly owned subsidiary, Columbia Basin Broadband Corporation (CBBC), all administration costs are tracked separately and expensed directly to this initiative. The following table lists funding

benefits provided to communities, funding benefits that were recovered or rescinded and the allocation of CBT's administration and support costs to each major initiative area. CBBC's administration costs are all included under broadband initiatives and are not allocated to other initiative areas.

EXPENSES – 2012/13
(in thousands)

	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total
Water and Environment Initiatives	$6,211	$(93)	$1,400	$7,518
Social Initiatives	5,523	(92)	410	5,841
Community Development Initiatives	3,583	(157)	2,082	5,508
Economic Initiatives	2,754	(450)	475	2,779
Youth Initiatives	1,206	(3)	664	1,867
Broadband Initiatives	-	-	558	558
Investment Initiatives	-	-	531	531
Other Initiatives	47	-	354	401
	$19,324	**$(795)**	**$6,474**	**$25,003**

Administration Expenses

Administration expenses for CBT, listed by object, are as follows:

ADMINISTRATION EXPENSES
(in thousands)

			Variance	
	2012/13	2011/12	Amount	%
Staff Remuneration and Development	$3,968	$3,952	$16	0.4%
Office and General	534	471	63	13.4%
Amortization	391	448	(57)	-12.7%
Professional Fees	370	388	(18)	-4.6%
Corporate Travel and Meetings	218	247	(29)	-11.7%
Board and Committee Expenses	200	162	38	23.5%
Communications	130	318	(188)	-59.1%
Information Technology	105	189	(84)	-44.4%
	$5,916	**$6,175**	**$(259)**	**-4.2%**

RETURN ON INVESTMENTS

The returns for CBT's Investment Program—Power Projects, Private Placements and Market Securities—can be viewed on page 20 of this document in the Investment Program Results section.

LIQUIDITY AND CAPITAL RESOURCES

Dividends

CBT received $22.6 million in dividends from power projects and $1.3 million from joint venture real estate projects. These funds were placed in Short-term Investments until required for CBT's investment in regional investment opportunities, Delivery of Benefits obligations and funding for corporate administration expenses.

Capital Expenditures

CBT classifies capital expenditures according to key projects and investments. The figures in the following table represent CBT's share. Total capital spending during 2012/13 was $26.3 million, almost all of which was invested in Power Projects. The major component was for CBT's investment in the Waneta Expansion Project, as CBT invested a total of $19.7 million for project development activities. This amount was lower than budgeted for in the *Service Plan* due to timing differences. Brilliant Expansion's expenditures included repairs resulting from a mechanical issue, while all other power project expenditures were for planned regular upgrades and sustaining capital expenditures.

In 2012/13, CBT negotiated a new lease for its Cranbrook office. A larger portion of space was acquired within the existing location, and CBT invested $87,000 for renovation costs and upgrades.

CAPITAL EXPENDITURES *(in thousands)*	Actual	Service Plan	Variance
	2012/13	2011/12	Amount
Arrow Lakes Generating Station	$229	$445	$(217)
Brilliant Expansion	156	556	(401)
Waneta Expansion Project	19,700	38,200	(18,500)
Brilliant Dam	1,571	1,049	522
Real Estate Investments	4,340	5,667	(1,327)
CBT Corporate Assets	277	325	(48)
	$26,273	$46,242	$(19,969)

COMPARISON TO SERVICE PLAN

CBT provides a *Service Plan* each year to the BC Legislature under the *Budget Transparency and Accountability Act*. The *Service Plan* outlines CBT's goals, objectives and key strategies, along with the results it expects to achieve for the following three-year period.

Total revenues were $1.1 million higher than forecasted in the *2012/13 – 2014/15 Service Plan*, largely due to increased revenues over 2012/13 at Arrow Lakes Generating Station and Brilliant Expansion—despite an unplanned outage—and consistent revenues at Brilliant Dam. In addition, broadband revenues were not included in the 2012/13 budget. Overall expenses were $1.5 million lower than in the *Service Plan*, which was due in part to the recovery of funding benefits in 2012/13. As well, throughout the fiscal year CBT closely monitored corporate expenses, knowing an impairment

to a loan might have been required at year-end. CBT also took measures to reduce expenses on a co-operative basis with the provincial government in order to assist with the objective of achieving a balanced provincial budget.

COMPARISON TO SERVICE PLAN *(in thousands)*	Actual	Service Plan	Variance	Three-year Forecasts		
	2012/13	2012/13	Amount	2013/14	2014/15	2015/16
Revenues						
Power Projects	$19,734	$19,021	$713	$20,782	$21,984	$27,905
Short-term Investments	1,613	1,620	(7)	900	900	900
Loan Income	1,130	1,134	(4)	1,134	1,134	1,134
Private Placements – Commercial Loans	925	777	148	1,140	1,250	1,370
Private Placements – Real Estate Investments	818	816	2	921	995	1,054
Market Securities	611	700	(89)	700	700	700
Broadband Operations	400	-	400	-	-	-
Recoveries	367	460	(93)	350	350	350
Rental Revenue	52	-	52	-	-	-
	25,650	**24,528**	**1,122**	**25,927**	**27,313**	**33,413**
Expenses						
Staff Remuneration and Development	3,968	4,233	(265)	4,100	4,300	4,500
Office and General	534	564	(30)	615	690	725
Amortization	391	350	41	425	425	425
Professional Fees	370	375	(5)	410	410	410
Corporate Travel and Meetings	218	263	(45)	200	200	200
Board and Committee Expenses	200	208	(8)	200	200	200
Communications	130	332	(202)	190	190	190
Information Technology	105	175	(70)	125	125	125
Broadband Initiatives	558	-	558	-	-	-
Delivery of Benefits	18,529	20,000	(1,471)	19,400	20,200	25,000
	25,003	**26,500**	**(1,497)**	**25,665**	**26,740**	**31,775**
Private Placements – Impairment Loss	(1,400)	-	(1,400)	-	-	-
Annual (Deficit)/Surplus	**$(753)**	**$(1,972)**	**$1,219**	**$262**	**$573**	**$1,638**
Capital Expenditures	$26,273	$46,242	$(19,969)	$22,305	$7,740	$5,337

COLUMBIA BASIN BROADBAND CORPORATION

The Columbia Basin Broadband Corporation (CBBC) is an active operating subsidiary of CBT and was formed with a mission to provide connectivity to a world-class open access broadband network across the Columbia Basin. Financial results for CBBC are as follows:

COLUMBIA BASIN BROADBAND CORPORATION STATEMENT OF OPERATIONS *(in thousands)*			Variance	
	2012/13	2011/12	Amount	%
Revenues				
Commercial Connection and Bandwidth	$184	$169	$15	8.9%
IRU Services	121	46	75	163.0%
Equipment Lease	70	20	50	250.0%
Project Construction	18	123	(105)	-85.4%
Other	7	1	6	600.0%
	400	**359**	**41**	**11.4%**
Expenses				
Network Expenses	200	151	49	32.5%
Staff Remuneration and Development	155	127	28	22.0%
Amortization	84	76	8	10.5%
Information Technology	58	7	51	728.6%
Professional Fees	23	89	(66)	-74.2%
Corporate Travel and Meetings	21	11	10	90.9%
Office and General	17	8	9	112.5%
	558	**469**	**89**	**19.0%**
Annual Deficit	**$(158)**	**$(110)**	**$(48)**	**43.6%**
Capital Expenditures	**$116**	**$636**	**$(520)**	**-81.8%**

FUTURE FINANCIAL OUTLOOK

Over the next three years, CBT anticipates the following trends, risks and opportunities may influence its financial performance.

Trends

With stable earnings expected from all major revenue streams in 2013/14 and 2014/15, CBT is predicting to record a surplus in each year. In 2015/16, revenues will increase at an even greater rate due to a new power sale agreement coming into effect partway through the year at Arrow Lakes Generating Station, as well as a forecasted completion of the Waneta Expansion Project in spring 2015.

The Private Placements portfolio is expected to continue to gradually grow and, assuming a stable or increasing interest rate environment, CBT should continue to generate higher returns. Returns from

Market Securities are more difficult to predict, but stable forecasts are based on the assumption that markets will realize returns consistent with long-term averages.

Administration expenses are expected to increase modestly over the next three years, mostly attributable to additional staffing.

With revenues and expenses relatively stable, projected Delivery of Benefits budgets are $19.4 million and $20.2 million respectively in 2013/14 and 2014/15. In 2015/16, revenues are forecast to increase, with a commensurate increase in Delivery of Benefits to $25 million. After 2015/16, there is further forecasted growth of revenues and Delivery of Benefits budgets.

Risks and Opportunities

Power Projects

Seventy-seven per cent of CBT's revenues are derived from power investments, increasing to 84 per cent in 2015/16. An extended outage at one of CBT's power holdings could mean revenue targets are not met. In order to address this, CBT has diversified its power holdings over four different power investments and continues to build its non-power portfolio in order to diversify its revenue base.

Waneta Expansion Project

Although the Waneta Expansion Project is adhering to budget and schedule, and many of the higher-risk construction activities have been completed, issues may still arise that could increase cost or delay completion and the generation of revenues. To address this risk, CBT is working closely with project partners to ensure the project continues to progress as planned.

Availability of Funds

A significant proportion of CBT's Delivery of Benefits budget is committed through multi-year agreements. A large Delivery of Benefits funding shortfall could have serious negative effects on Basin residents and CBT partners and cause reputational damage to CBT. Given that CBT has entered into multi-year spending commitments, lost revenue may mean it is unable to meet net income (surplus/deficit) targets. To ensure funds are available for Delivery of Benefits activities and corporate operating expenses in the event of short-term disruptions to revenue, CBT must prudently manage its cash resources, although using them for this purpose could cause CBT to incur a deficit in that fiscal year. CBT also actively monitors its revenue and expenditures forecasts with the objective of trying to ensure its net income targets are met.

Risk Management

Over 2013/14, CBT expects to build on its progress in risk management. Management will continue to create a sustaining enterprise-wide risk management environment that will include developing effective policies, procedures and frameworks to help direct the organization's risk management strategy.

Internal and Compliance Audits

A three-year internal audit plan was approved by the CBT Board in March 2013, and three projects are scheduled for audit over 2013/14. As well, compliance audits will continue to be selected within

Delivery of Benefits program areas to provide assurance that recipients of CBT funding are spending monies in accordance with the agreements' terms and conditions.

Information Management Software

The implementation of a new software system to support CBT's Delivery of Benefits activities began in spring 2013, with completion expected by the end of the year. This new system will integrate and enable the organization to improve a number of processes, including contract management, budgeting, accounting and forecasting.

Internal Reorganization

In September 2012, CBT reorganized its internal structure, including shifting and redefining departments and adjusting certain staff responsibilities. The goal was to ensure the organization is structured in the best way possible to support all activities and effectively and efficiently manage its revenue—which not only has grown in the past, but is expected to grow significantly in the future. The shift has enabled better integration within Delivery of Benefits departments themselves, plus between Delivery of Benefits and support departments like information technology and accounting. It has also helped CBT address the increased complexity of accounting standards and reporting requirements, plus enhanced its program evaluation efforts.

Core Strategic Plans

In 2013/14, CBT will be renewing its three core strategic plans. These plans identify three-year goals and objectives aimed at addressing social, economic and environmental issues affecting the Basin, and will be used to prioritize resources, inform CBT's responses to opportunities that arise and guide CBT's activities.

2013 Columbia Basin Symposium

CBT will be providing an opportunity for Basin residents to connect with both CBT and each other at the Columbia Basin Symposium, scheduled for October 18 – 20, 2013, in Creston. These symposia take place every three years, and the theme for the 2013 event is "Community Change Through Collaborative Action."

Consolidated Financial Statements

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian public sector accounting standards and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved by CBT's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that CBT's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, KPMG, Chartered Accountants, have been appointed by CBT's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian public sector accounting standards. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.

Neil Muth

President and CEO

Christine Lloyd

Director, Finance and Operations

KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2

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INDEPENDENT AUDITORS' REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Jobs, Tourism and Skills Training:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise the consolidated statement of financial position as at March 31, 2013, the consolidated statements of operations, changes in accumulated surplus, statements of remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Columbia Basin Trust as at March 31, 2013 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The consolidated financial statements of Columbia Basin Trust as at and for the year ended March 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 25, 2012.

"KPMG LLP"

Chartered Accountants

May 28, 2013

Burnaby, Canada

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands)

	2013	2012 (Restated - Note 3)
FINANCIAL ASSETS		
Cash	$ 1,117	$ 1,867
Accrued interest and other assets (Note 4)	1,473	1,417
Short-term investments (Note 5)	69,577	88,625
Market securities (Note 6)	23,619	21,911
Loan receivable (Note 7)	20,000	20,000
Private placements - commercial loans (Note 8)	21,418	13,827
Private placements - commercial investment (Note 9)	3,000	4,400
Private placements - real estate investments (Note 10)	7,102	7,565
Investment in Columbia Basin Broadband Corporation (Note 11)	-	1,284
Investment in Waneta Expansion Limited Partnership (Note 12)	81,647	61,987
Investment in power projects (Note 13)	203,033	205,849
	431,986	428,732
LIABILITIES		
Accounts payable and accrued liabilities	558	639
Long-term debt (Note 14)	1,056	-
Delivery of Benefits initiatives liabilities (Note 15)	24,274	20,449
	25,888	21,088
Net Financial Assets	406,098	407,644
NON-FINANCIAL ASSETS		
Prepaid expenses	49	24
Tangible capital assets (Note 16)	4,772	2,906
	4,821	2,930
ACCUMULATED SURPLUS	$ 410,919	$ 410,574
Accumulated Surplus is comprised of:		
Accumulated Surplus	$ 410,359	$ 411,112
Accumulated Remeasurement Gain/(Loss)	560	(538)
	$ 410,919	$ 410,574

COMMITMENTS (Note 19)

Approved on behalf of the Board of Directors:

Greg Deck
Chair

Amed Naqvi
Chair, Finance and Audit Committee

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands)

FOR THE YEAR ENDING MARCH 31	Budget (Note 24)	2013	2012 (Restated - Note 3)
REVENUES			
Power projects (Note 13)	$ 19,021	$ 19,734	$ 16,371
Short-term investments	1,620	1,613	2,106
Loan income	1,134	1,130	1,135
Private placements - commercial loans	777	925	1,163
Private placements - real estate investments (Note 10)	816	818	627
Market securities	700	611	860
Broadband operations	-	400	(110)
Recoveries (Note 20)	460	367	786
Rental revenue (Note 17)	-	52	-
	24,528	25,650	22,938
EXPENSES (Note 18)			
Water and Environment initiatives	7,826	7,518	6,802
Social initiatives	6,002	5,841	2,576
Community development initiatives	5,753	5,508	8,749
Economic initiatives	3,471	2,779	2,887
Youth initiatives	1,947	1,867	1,296
Broadband initiatives	-	558	-
Investment initiatives	570	531	913
Other initiatives	931	401	231
	26,500	25,003	23,454
Private placements - impairment loss (Note 9)	-	(1,400)	-
ANNUAL DEFICIT	$ (1,972)	$ (753)	$ (516)

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
(in thousands)

FOR THE YEAR ENDING MARCH 31		2013		2012
Accumulated remeasurement loss, beginning of year	$	(538)	$	-
Unrealized gain/(loss) on market securities		1,098		(538)
ACCUMULATED REMEASUREMENT GAIN/(LOSS), end of year	$	560	$	(538)

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED SURPLUS
(in thousands)

FOR THE YEAR ENDING MARCH 31		2013		2012 (Restated - Note 3)
Accumulated surplus, beginning of year, as previously reported	$	430,561	$	432,008
Adoption of government transfers standard adjustment (Note 3)		(19,449)		(20,380)
Accumulated surplus, beginning of year, restated		411,112		411,628
Annual deficit, as previously reported		(753)		(1,447)
Adoption of government transfers standard adjustment (Note 3)		-		931
Annual deficit, restated		(753)		(516)
ACCUMULATED SURPLUS, end of year	$	410,359	$	411,112

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
(in thousands)

FOR THE YEAR ENDING MARCH 31	Budget (Note 24)	2013	2012 (Restated - Note 3)
ANNUAL DEFICIT	$ (1,972)	$ (753)	$ (516)
Acquisition of prepaid expenses	-	(49)	(24)
Use of prepaid expenses	-	24	117
Acquisition of tangible capital assets	-	(2,340)	(673)
Amortization of tangible capital assets	506	474	448
	506	(1,891)	(132)
Effect of remeasurement gain/(loss)	-	1,098	(538)
Change in Net Financial Assets	(1,466)	(1,546)	(1,186)
NET FINANCIAL ASSETS, beginning of year, as previously reported	427,093	427,093	429,210
Adjustments due to adoption of government transfers standard	-	(19,449)	(20,380)
NET FINANCIAL ASSETS, beginning of year, restated	427,093	407,644	408,830
NET FINANCIAL ASSETS, end of year	$ 425,627	$ 406,098	$ 407,644

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

FOR THE YEARS ENDING MARCH 31	2013	2012
CASH FLOWS FROM/APPLIED TO OPERATING ACTIVITIES		
Cash received from private placements - commercial loans	$ 836	$ 1,554
Cash received from broadband operations	392	-
Cash received from short-term investments	2,762	3,229
Cash received from market securities	611	860
Cash received from tenants	373	322
Cash paid for operating expenses	(5,924)	(6,005)
Cash paid for Delivery of Benefits obligations	(14,704)	(17,209)
	(15,654)	(17,249)
CASH FLOWS FROM/APPLIED TO INVESTING ACTIVITIES		
Investment in Waneta Expansion Limited Partnership	(19,660)	(35,422)
Proceeds from sale of investment in deferred power projects	-	5,760
Investment in deferred power projects	-	(876)
Investment in Brilliant Expansion Power Corporation	-	(16,598)
Purchase of short-term investments	(157,892)	(225,906)
Redemption of short-term investments and market securities	176,329	154,000
Issuance of commercial loans	(10,367)	(11,169)
Repayment of commercial loans	2,723	12,975
Commercial investment	-	(4,400)
Cash assumed on conversion of CBBC from modified equity to consolidation	677	-
Dividends received from real estate investments	1,281	1,240
Dividends received from power projects investments	22,550	158,063
	15,641	37,667
CASH FLOWS FROM/APPLIED TO CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(1,781)	(673)
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Advance to Columbia Power Corporation	-	(20,000)
Proceeds from issuance of debt	1,044	-
Advances to Columbia Basin Broadband Corporation	-	(1,394)
	1,044	(21,394)
DECREASE IN CASH	(750)	(1,649)
CASH, beginning of year	1,867	3,516
CASH, end of year	$ 1,117	$ 1,867

Tangible capital assets assumed on conversion of CBBC from modified equity to consolidation - $559,000.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2013 and March 31, 2012
(in thousands)

1. NATURE OF COLUMBIA BASIN TRUST

Columbia Basin Trust (CBT) is a corporation established by the *Columbia Basin Trust Act*. The purpose of CBT is to manage its assets for the ongoing economic, social and environmental well-being of the Columbia Basin (Basin) region. The sole share of CBT is held by the Minister of Finance on behalf of the Province of BC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements of CBT have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

(b) Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which is comprised of all organizations controlled by CBT. Government business partnerships (GBP) and government business enterprises (GBE) are accounted for using the modified equity method. Other government organizations (OGO) and government partnerships (GP) are accounted for using the proportionate consolidation method. All intercompany balances and transactions have been eliminated for OGO's and GP's.

Under the modified equity method, only CBT's percentage investment in the GBP and GBE, and the net income and other changes in equity are recorded. No adjustment is made for accounting policies that are different from those of CBT.

As at April 1, 2012, management determined that Columbia Basin Broadband Corporation (CBBC) no longer met the definition of a GBE and CBBC was fully consolidated with the change in accounting treatment applied prospectively from that date.

CBT's government business partnerships with interest in power projects consist of the following entities:

- Arrow Lakes Power Corporation (ALPC) – 50% interest
- Brilliant Power Corporation (BPC) – 50% interest
- Brilliant Expansion Power Corporation (BEPC) – 50% interest
- Waneta Expansion Power Corporation (WEPC) – 42% interest

CBT's government business partnerships with interest in real estate consist of the following entities:

- Castle Wood Village – 50% interest
- Columbia Village – 50% interest
- Crest View Village – 50% interest
- Garden View Village – 50% interest
- Joseph Creek Village – 50% interest
- Lake View Village – 50% interest
- Mountain Side Village – 50% interest
- Rocky Mountain Village – 50% interest

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(c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the expected useful lives as follows:

	Years
New buildings	30
Leasehold improvements	5 - 8
Office furniture and equipment	5
Server hardware and software	3 - 5
Workstation hardware	3
Fibre optics	25

Tangible capital assets are written down to their residual value when conditions indicate that they no longer contribute to CBT's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations. Transfers of capital assets from related parties are recorded at carrying value.

(d) Revenue recognition

Revenues are recognized in the period in which the transaction or event occurs that gives rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers to CBT are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

(e) Expenses

Expenses are reported on an accrual basis when the goods have been received or the services have been provided. The cost of all goods consumed and services received during the year is expensed.

Expenses are classified by function on the statement of operations. CBT allocates administration costs by identifying an appropriate basis of allocating and applying that basis consistently each year.

Government transfers are recognized in the consolidated financial statements in the period in which the amounts of the transfers are authorized and any eligibility criteria have been met by the recipient.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(f) Taxes

CBT is exempt from income taxes under paragraph 149(1)(d) of the *Income Tax Act*. CBT is also exempt from Federal Large Corporations Tax under subsection 181.1(3) of the *Income Tax Act*.

(g) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(h) Financial instruments

Derivatives and equity instruments quoted in an active market are measured at fair value. CBT measures other specific financial instruments at cost and amortized cost to correspond with how they are evaluated and managed.

Financial instruments measured at fair value are classified as level one, two or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

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Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets measured at cost or amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

CBT has designated its financial instruments as follows:

i. Cash

Cash includes cash on hand and is measured at fair value. CBT presents its Statement of Cash Flows using the direct method.

ii. Short-term investments

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the statement of remeasurement gains and losses.

iii. Market securities

Equity and debt investments quoted in an active market are reported at fair value. CBT invests in long-term investments through pooled fund products managed by the British Columbia Investment Management Corporation, a corporation established under the *Public Sector Pension Plans Act*. CBT has a diversified securities portfolio that includes short-term deposits, bonds and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.

iv. Investment in Waneta Expansion Limited Partnership

CBT accounts for its investment in Waneta Expansion Limited Partnership (WELP) as a portfolio investment and it is measured on a cost basis.

v. Private placements and loans receivable

Investments in commercial loans or loans receivable are recorded at amortized cost less any amount for impairments. Impairment losses are recorded to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Impairments are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable. Commercial investments that have an equity interest are accounted for as portfolio investments and are measured at cost, less any amounts written off to reflect a permanent decline in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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vi. Debt and other financial assets and financial liabilities

Debt, accrued interest and other assets and accounts payable and accrued liabilities are measured at amortized cost and are recorded at values that approximate their amortized cost using the effective interest method.

(i) Employee future benefits

CBT and its employees make contributions to the Public Sector Pension Plan, which is a multi-employer defined benefit pension plan. Multi-employer defined benefit pension plans are accounted for as defined contribution plans. As a result, CBT's contributions are expensed as paid.

Non-vesting sick leave benefits accrue to CBT's employees with no obligation to pay sick leave benefits until the employee is injured or ill. The sick leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. CBT has determined, using management's best estimate of the future utilization of the sick leave benefits that the obligation is not significant and one has not been recorded.

(j) Measurement uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Significant estimates include assumptions used for recording general loan loss provisions and for identifying any impairment for CBT's investment in WELP.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

3. CHANGES IN ACCOUNTING POLICY

On April 1, 2012, CBT adopted the public sector accounting standard PS3410 Government Transfers. This accounting policy was applied retroactively with the restatement of prior periods resulting in a change to the consolidated statement of change in accumulated surplus, the consolidated statement of financial position and the consolidated statement of operations.

The following tables summarize the changes made to CBT's financial statements:

	April 1, 2011, as originally reported	Adjustment	April 1, 2011, restated
Accumulated surplus, beginning of year	$ 432,008	$ (20,380)	$ 411,628

	March 31, 2012, as originally reported	Adjustment	March 31, 2012, restated
Accumulated surplus	$ 430,561	$ (19,449)	$ 411,112
Delivery of Benefits initiatives liabilities	$ -	$ 19,449	$ 19,449
Annual deficit	$ (1,447)	$ 931	$ (516)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. ACCRUED INTEREST AND OTHER ASSETS

Accrued interest and other assets consist of accrued interest on short-term investments and recoveries for management and information technology services.

5. SHORT-TERM INVESTMENTS

Short-term investments consist of a portfolio of short-term deposits held at financial institutions and with the British Columbia Investment Management Corporation and are allocated as follows:

	Fair value hierarchy level	2013	2012
Term securities: measured at amortized cost	-	$ 48,687	$ 53,095
Pooled fund investments: measured at fair value	1	20,890	35,530
		$ 69,577	$ 88,625

6. MARKET SECURITIES

CBT has a diversified securities portfolio that includes short-term deposits, bond and equity funds, which is managed by the British Columbia Investment Management Corporation.

CBT's investment in market securities measured at fair value is as follows:

	Fair value hierarchy level	2013	2012
Market value	1	$ 23,619	$ 21,911
Cost		$ 22,513	$ 21,902

Remeasurement gain/(loss) on market securities:

	2013	2012
Opening market value	$ 21,911	$ 16,588
Purchases	610	5,861
	22,521	22,449
Ending market value	23,619	21,911
	$ 1,098	$ (538)

7. LOAN RECEIVABLE

An unsecured $20-million loan was advanced to Columbia Power in April 2011. Interest is payable semi-annually at the rate of 5.67% until April 2016, after which the loan will be repayable in 50 semi-annual payments of principal and interest. Accrued interest and other assets include $568,000 of accrued interest on this loan to Columbia Power.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. PRIVATE PLACEMENTS – COMMERCIAL LOANS

CBT provides commercial loans that are generally secured by real estate and have terms extending no further than 28 years.

Commercial loans are as follows:

		2013		2012
Commercial loans bearing interest from 3.9% to 8%	$	21,569	$	13,925
Less: general impairment loss		(151)		(98)
	$	21,418	$	13,827

9. PRIVATE PLACEMENTS – COMMERCIAL INVESTMENT

This commercial equity investment is accounted for as a portfolio investment and measured at cost. In 2012/13, an impairment in the value of this investment occurred and a write down of $1.4 million was provisioned for in the statement of operations. The new carrying value is deemed to be the new cost basis for this investment.

Commercial investment is as follows:

		2013		2012
Commercial investment	$	4,400	$	4,400
Less: specific impairment loss		(1,400)		-
	$	3,000	$	4,400

10. PRIVATE PLACEMENTS – REAL ESTATE INVESTMENTS

CBT's real estate investments are comprised of 50% ownership interests in real estate investments throughout the Basin consisting of eight seniors housing facilities (see listing of joint ventures in Note 2). These investments are accounted for as investments in government business partnerships using the modified equity basis of accounting.

Condensed supplementary financial information for private placements – real estate investments is as follows:

(a) Financial position (at 50%):

	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Assets
March 31, 2013							
Castle Wood Village	$ 96	$ 4,540	$ 4,636	$ 170	$ 3,891	$ 4,061	$ 575
Columbia Village	264	5,812	6,076	199	5,253	5,452	624
Crest View Village	48	4,964	5,012	156	4,209	4,365	647
Garden View Village	35	3,640	3,675	96	2,848	2,944	731
Joseph Creek Village	102	10,129	10,231	315	8,037	8,352	1,879
Lake View Village	35	6,182	6,217	126	4,735	4,861	1,356
Mountain Side Village	52	3,294	3,346	80	2,589	2,669	677
Rocky Mountain Village	31	3,403	3,434	115	2,706	2,821	613
	$ 663	$ 41,964	$ 42,627	$ 1,257	$ 34,268	$ 35,525	$ 7,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Assets
March 31, 2012							
Castle Wood Village	$ 83	$ 4,733	$ 4,816	$ 162	$ 4,039	$ 4,201	$ 615
Columbia Village	8	3,089	3,097	100	2,340	2,440	657
Crest View Village	37	5,168	5,205	149	4,342	4,491	714
Garden View Village	27	3,778	3,805	92	2,930	3,022	783
Joseph Creek Village	105	10,484	10,589	281	8,325	8,606	1,983
Lake View Village	24	6,388	6,412	121	4,850	4,971	1,441
Mountain Side Village	44	3,419	3,463	76	2,653	2,729	734
Rocky Mountain Village	22	3,543	3,565	111	2,816	2,927	638
	$ 350	$ 40,602	$ 40,952	$ 1,092	$ 32,295	$ 33,387	$ 7,565

(b) Investment in private placements – real estate (at 50%):

	Castle Wood Village	Columbia Village	Crest View Village	Garden View Village	Joseph Creek Village	Lake View Village	Mountain Side Village	Rocky Mountain Village	Total
March 31, 2013									
Opening balance	$ 615	$ 657	$ 714	$ 783	$ 1,983	$ 1,441	$ 734	$ 638	$ 7,565
Dividends paid	(139)	(128)	(174)	(104)	(359)	(163)	(83)	(131)	(1,281)
Surplus	99	95	107	52	255	78	27	105	818
	$ 575	$ 624	$ 647	$ 731	$ 1,879	$ 1,356	$ 678	$ 612	$ 7,102
March 31, 2012									
Opening balance	$ 666	$ 719	$ 792	$ 853	$ 2,152	$ 1,531	$ 795	$ 670	$ 8,178
Dividends paid	(141)	(110)	(168)	(104)	(339)	(162)	(84)	(132)	(1,240)
Surplus	90	48	90	34	170	72	23	100	627
	$ 615	$ 657	$ 714	$ 783	$ 1,983	$ 1,441	$ 734	$ 638	$ 7,565

(c) Results of operations (at 50%):

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
March 31, 2013						
Castle Wood Village	$ 526	$ 229	$ 1	$ 197	$ 427	$ 99
Columbia Village	313	92	-	126	218	95
Crest View Village	559	243	2	207	452	107
Garden View Village	363	172	1	138	311	52
Joseph Creek Village	1,096	448	1	392	841	255
Lake View Village	545	252	1	214	467	78
Mountain Side Village	310	156	-	127	283	27
Rocky Mountain Village	374	129	-	140	269	105
	$ 4,086	$ 1,721	$ 6	$ 1,541	$ 3,268	$ 818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
March 31, 2012						
Castle Wood Village	$ 526	$ 237	$ 2	$ 197	$ 436	$ 90
Columbia Village	313	124	19	122	265	48
Crest View Village	556	251	8	207	466	90
Garden View Village	362	177	7	144	328	34
Joseph Creek Village	1,096	504	13	409	926	170
Lake View Village	545	258	1	214	473	72
Mountain Side Village	311	160	-	128	288	23
Rocky Mountain Village	374	135	-	139	274	100
	$ 4,083	$ 1,846	$ 50	$ 1,560	$ 3,456	$ 627

(d) Non-current assets:

CBT's investment in real estate, comprised of seniors housing facilities, is as follows (at 50%):

	Land	Building	2013	2012
Operating facilities	$ 2,728	$ 45,487	$ 48,215	$ 48,247
Projects under development	-	2,844	2,844	-
Less: accumulated amortization	-	(9,094)	(9,094)	(7,645)
	$ 2,728	$ 39,237	$ 41,965	$ 40,602

(e) Current and non-current liabilities:

i. Long-term debt

Long-term debt consists of mortgage loans that are included in current and non-current liabilities of the real estate entities. The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors housing facilities. These loans have interest rates varying between 3.3% and 6.4% and will mature on different dates between April 2013 and November 2017. The loans are repayable in equal monthly payments of principal and interest, were originally amortized over 25 years and are secured by first charges, both fixed and floating, over the assets of the seniors housing facilities to which they relate.

ii. Indemnities by joint venturers

The joint venturers of the eight real estate investments gave separate indemnities for 50% of the original mortgage proceeds totaling $38.8 million.

iii. Principal repayments

Scheduled principal repayments are estimated as follows (at 50%):

2014	$ 1,074
2015	1,156
2016	1,214
2017	1,278
2018	1,350
Thereafter	28,895
	$ 34,967

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(f) Contingencies:

In June 2010, the BC Housing Management Commission (BC Housing) provided a government grant to allow for subsidized suites at the Lake View Village, a seniors housing facility located in Nelson, BC. Under this agreement, Lake View Village received a forgivable loan in the amount of $855,000 (CBT's share is 50%), which was applied directly to the existing mortgage on the property. Under the terms and conditions of the agreement, if the loan is defaulted within the first 10 years, $855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2013, the balance of the forgivable loan was $855,000 (CBT's share is 50%).

11. INVESTMENT IN COLUMBIA BASIN BROADBAND CORPORATION

The CBBC is a wholly owned subsidiary of CBT. CBBC was formed in June 2011 with a mission to provide connectivity to a world-class open access broadband network across the Basin. As at April 1, 2012, CBT determined that CBBC was not able to sustain its operations and meet its liabilities from revenues received from entities outside the government reporting entity and therefore no longer met the definition of a GBE. CBBC was accounted for using the modified equity method for the comparative year ending March 31, 2012. CBBC is fully consolidated for the current year ending March 31, 2013.

12. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

CBT Waneta Expansion Power Corp. (16.5% interest), CPC Waneta Holding Ltd. (32.5% interest), and Fortis Inc. (51% interest) formed a partnership to own and develop the Waneta Expansion Project.

The Waneta Expansion Project is a $900-million hydroelectric development downstream from the Waneta Dam in Trail, BC. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to be completed in early 2015. CBT invested a total of $19.7 million in the Waneta Expansion Project in 2012/13, to bring CBT's total investment to $81.7 million.

This investment is accounted for as a portfolio investment and is measured at cost.

	2013	2012
Investment in Waneta Expansion Limited Partnership	$ 81,647	$ 61,987

13. INVESTMENT IN POWER PROJECTS

CBT's investment in power projects comprises ownership interests in four entities that are jointly controlled with Columbia Power and these investments are accounted for as GBP's.

(a) Arrow Lakes Power Corporation

CBT Arrow Lakes Power Development Corp. has a 50% ownership interest in the Arrow Lakes Power Corporation (ALPC). The purpose of the ALPC is to operate the 185-megawatt Arrow Lakes Generating Station adjacent to Hugh Keenleyside Dam at Castlegar, BC, and a 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation.

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(b) Brilliant Power Corporation

CBT Power Corp. has a 50% ownership interest in the Brilliant Power Corporation (BPC). The purpose of the BPC is to operate the Brilliant Power Facility and Brilliant Terminal Station. The Brilliant Power Facility comprises Brilliant Dam and Generating Station, located on the Kootenay River three kilometres upstream from the confluence of the Columbia River. The Brilliant Terminal Station is a 230-kilovolt switchyard that interconnects Arrow Lakes Generating Station, Brilliant Expansion and Brilliant Dam and Generating Station to the integrated BC transmission system.

(c) Brilliant Expansion Power Corporation

CBT Brilliant Expansion Power Corp. has a 50% interest in the Brilliant Expansion Power Corporation (BEPC). The purpose of the BEPC is to operate Brilliant Expansion, a 120-megawatt power generation development adjacent to Brilliant Dam at Castlegar, BC.

(d) Waneta Expansion Power Corporation

CBT Energy Inc. has a 42% interest in the Waneta Expansion Power Corporation (WEPC). The WEPC previously held legal title of assets related to the Waneta Expansion Project. In October 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were sold to the Waneta Expansion Limited Partnership in exchange for a $72-million non-interest bearing Promissory Note. In March 2011, CBT Energy Inc. agreed to the sale of 8% of its interest in the WEPC for $5.8 million, and this transaction was finalized in March 2012.

Condensed supplementary financial information for investment in power projects is as follows:

(e) Financial position:

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Assets
March 31, 2013									
ALPC - 50%	$ 11,800	$ 122,769	$ -	$ 8,719	$ 143,288	$ 5,324	$ 173,681	$ 179,005	$ (35,717)
BPC - 50%	6,438	-	152,089	5,327	163,854	5,837	61,205	67,042	96,812
BEPC - 50%	6,672	115,056	-	888	122,616	715	-	715	121,901
WEPC - 42%	-	-	-	20,037	20,037	-	-	-	20,037
	$ 24,910	$ 237,825	$ 152,089	$ 34,971	$ 449,795	$ 11,876	$ 234,886	$ 246,762	$ 203,033
March 31, 2012									
ALPC - 50%	$ 10,920	$ 126,244	$ -	$ 11,414	$ 148,578	$ 5,042	$ 173,636	$ 178,678	$ (30,100)
BPC - 50%	6,857	-	149,640	5,319	161,816	5,663	63,994	69,657	92,159
BEPC - 50%	6,654	117,410	-	1,301	125,365	543	-	543	124,822
WEPC - 42%	-	-	-	18,968	18,968	-	-	-	18,968
	$ 24,431	$ 243,654	$ 149,640	$ 37,002	$ 454,727	$ 11,248	$ 237,630	$ 248,878	$ 205,849

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(f) Investment in power projects:

	ALPC 50%	BPC 50%	BEPC 50%	WEPC 42%	Total
March 31, 2013					
Opening balance	$ (30,100)	$ 92,159	$ 124,822	$ 18,968	$ 205,849
Contributions	-	-	-	-	-
Dividends paid	(5,100)	(5,200)	(12,250)	-	(22,550)
(Deficit)/surplus	(517)	9,853	9,329	1,069	19,734
	$ (35,717)	$ 96,812	$ 121,901	$ 20,037	$ 203,033
March 31, 2012					
Opening balance	$ 114,777	$ 88,421	$ 109,791	$ 17,955	$ 330,944
Contributions	-	-	16,598	-	16,598
Dividends paid	(142,812)	(5,900)	(9,352)	-	(158,064)
(Deficit)/surplus	(2,065)	9,638	7,785	1,013	16,371
	$ (30,100)	$ 92,159	$ 124,822	$ 18,968	$ 205,849

(g) Results of operations:

	Revenue	Finance Charges	Operations	Amortization	Total Expense	(Deficit)/ Surplus
March 31, 2013						
ALPC - 50%	$ 18,511	$ 9,701	$ 5,639	$ 3,688	$ 19,028	$ (517)
BPC - 50%	20,692	5,190	5,616	33	10,839	9,853
BEPC - 50%	16,649	14	4,796	2,510	7,320	9,329
WEPC - 42%	1,069	-	-	-	-	1,069
	$ 56,921	$ 14,905	$ 16,051	$ 6,231	$ 37,187	$ 19,734
March 31, 2012						
ALPC - 50%	$ 18,079	$ 11,542	$ 4,887	$ 3,715	$ 20,144	$ (2,065)
BPC - 50%	20,567	5,408	5,487	34	10,929	9,638
BEPC - 50%	15,240	203	4,751	2,501	7,455	7,785
WEPC - 42%	1,013	-	-	-	-	1,013
	$ 54,899	$ 17,153	$ 15,125	$ 6,250	$ 38,528	$ 16,371

(i) Non-current assets:

Promissory Note

The WEPC's non-current asset is a non-interest bearing Promissory Note and is payable on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date is estimated to occur in 2015, thereby making the Promissory Note's estimated repayment date in 2020, 10 years from the date of issuance. The Promissory Note was discounted using an effective interest rate of 5.5% to reflect a present value at March 31, 2011, of $43 million (CBT's portion was $18 million). Interest accretes until the Promissory Note is recognized at its face value in 2020. As at March 31, 2013, CBT's portion of the Promissory Note was $20 million.

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(j) Non-current liabilities:

i. Long-term debt

BPC has long-term debt that consists of the following:

- Series "A" bonds bearing interest at 8.93%; and
- Series "B" bonds bearing interest at 6.86%; and
- Series "C" bonds bearing interest at 5.67%.

The bonds are redeemable in whole or in part at any time before May 31, 2026, at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching-duration Government of Canada bond plus 0.30%, 0.31% and 0.23% respectively. The bonds are secured on a limited recourse basis by charges against Brilliant Dam assets and revenues.

On April 5, 2011, ALPC issued $350 million principal amount of Series "B" bonds with a coupon rate of 5.52%, which is due April 5, 2041. The Series "B" bonds are secured on a limited recourse basis by charges against Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverage.

Power project bonds are as follows (at 50%):

		2013		2012
Arrow Lakes bonds	$	175,000	$	175,000
Brilliant Dam bonds		65,193		67,893
		240,193		242,893
Less: financing costs		(2,400)		(2,562)
Less: current portion of long-term debt		(2,907)		(2,701)
	$	234,886	$	237,630

ii Principal repayments

Scheduled principal repayments related to long-term debt are estimated as follows (at 50%):

2014	$	2,907
2015		3,129
2016		3,369
2017		7,006
2018		7,475
Thereafter		216,307
	$	240,193

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As at March 31, 2013 and March 31, 2012
(in thousands)

(k) Contingencies

CBT's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, the BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations, as well as to maintain all material franchises. Under current regulations, the venturers are required to meet performance standards to minimize or mitigate the negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

14. LONG-TERM DEBT

CBT obtained a term loan in the amount of approximately $1 million during the year. The loan is secured by a collateral mortgage over real estate. The net debt shown on the consolidated statement of financial position is measured at amortized cost and is comprised of the following:

	2013	2012
Demand loan bearing an interest rate at 3.27% per annum, maturing 2017	$ 1,059	$ -
Deferred finance costs	(3)	-
	$ 1,056	$ -

Scheduled principal repayments are estimated as follows:

2014	$ 28
2015	29
2016	30
2017	969
	$ 1,056

15. DELIVERY OF BENEFITS

Delivery of Benefits refers to activities that CBT undertakes in the region as it seeks to support the efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the Basin.

	2013	2012
Funds authorized during the year	$ 19,324	$ 17,322
Funds rescinded/recovered	(795)	(44)
Funds paid during the year	(14,704)	(17,209)
	3,825	69
Liabilities, beginning of year	20,449	20,380
Liabilities, end of year	$ 24,274	$ 20,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands)

Delivery of Benefits obligations are payable to various organizations in the fiscal years ending March 31 as follows:

2014	$ 13,377
2015	4,615
2016	6,282
	$ 24,274

16. TANGIBLE CAPITAL ASSETS

CBT's tangible capital assets are as follows:

	Cost	Accumulated Amortization	2013	2012
Land	$ 690	$ -	$ 690	$ 205
Building	4,445	1,328	3,117	2,257
Leasehold improvements	713	643	70	47
Office furniture and equipment	550	511	39	58
Server hardware and software	861	566	295	292
Workstation hardware	286	254	32	47
Fibre optics	570	41	529	-
	$ 8,115	$ 3,343	$ 4,772	$ 2,906

Refer to Schedule A for supplementary financial information.

17. RENTAL REVENUE

CBT receives rental revenue from two commercial properties located in Cranbrook, BC.

18. EXPENSES

In addition to the direct benefits provided to Basin communities, CBT has also allocated administration services and costs to each major initiative area using an appropriate cost allocation methodology. In the case of CBT's wholly owned subsidiary, CBBC, all administration costs are tracked separately and expensed directly to this initiative area. CBBC was accounted for using the modified equity method in 2011/12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2013 and March 31, 2012

(in thousands)

The following table lists the direct benefits expensed, funding benefits that were recovered or rescinded, and the allocation of administration services and costs to each major initiative area, excluding CBBC, for 2012/13.

	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total Expenses
Water and Environment initiatives	$ 6,211	$ (93)	$ 1,400	$ 7,518
Social initiatives	5,523	(92)	410	5,841
Community development initiatives	3,583	(157)	2,082	5,508
Economic initiatives	2,754	(450)	475	2,779
Youth initiatives	1,206	(3)	664	1,867
Broadband initiatives	-	-	558	558
Investment initiatives	-	-	531	531
Other initiatives	47	-	354	401
	$ 19,324	$ (795)	$ 6,474	$ 25,003

The following comprises CBT's and CBBC's expenses by object:

	CBT	CBBC	Total
March 31, 2013			
Amortization	$ 391	$ 84	$ 475
Board and committee expenses	200	-	200
Communications	130	-	130
Corporate travel and meetings	218	21	239
Delivery of Benefits initiatives	18,529	-	18,529
Information technology	105	58	163
Network costs	-	200	200
Office and general	534	17	551
Professional fees	370	23	393
Staff remuneration and development	3,968	155	4,123
	$ 24,445	$ 558	$ 25,003
March 31, 2012			
Amortization	$ 448	$ -	$ 448
Board and committee expenses	162	-	162
Communications	318	-	318
Corporate travel and meetings	247	-	247
Delivery of Benefits initiatives	17,276	-	17,276
Information technology	189	-	189
Office and general	474	-	474
Professional fees	388	-	388
Staff remuneration and development	3,952	-	3,952
	$ 23,454	$ -	$ 23,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2013 and March 31, 2012
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19. COMMITMENTS

(a) CBT Office

CBT has entered into operating lease agreements for its office spaces with terms expiring at various dates in the future.

(b) Waneta Expansion Project

Over the next 2.5 years, CBT Waneta Expansion Power Corp. is committed to fund its 16.5% interest in the Waneta Expansion Project and is committed to funding $20.2 million in 2013/14, $5.7 million in 2014/15, and $2 million in 2015/16.

20. RECOVERIES

CBT charges Columbia Power for information technology support services and management services relating to jointly owned power project entities. Columbia Power also rents a portion of the Columbia Basin building owned by CBT. In addition, CBT charged CBBC for management services, which was accounted for using the modified equity method in 2011/12. These items are classified as recoveries on the statement of operations.

	2013	2012
Information technology systems	$ 156	$ 299
Management/contract services	60	336
Rental expense	151	151
	$ 367	$ 786

21. RELATED PARTY TRANSACTIONS

CBT is related through common ownership of its jointly owned entities with Columbia Power. CBT is also indirectly related through common ownership to all Province of BC ministries, agencies, Crown corporations and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to possess commercial substance and are consequently recorded at their exchange amounts. CBBC was accounted for using the modified equity method in 2011/12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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CBT's portion of related party transactions in power projects, CBBC and Joseph Creek Village are as follows:

Due from and sales to related parties:

	2013		2012	
	Due from related party	Sales to related party	Due from related party	Sales to related party
Columbia Power	$ 53	$ 366	$ 164	$ 657
Province of BC	1,886	-	1,829	-
BC Hydro	1,918	31,082	2,193	29,769
BPC	-	-	-	-
BEPC	188	712	42	640
Powerex	-	-	-	705
Joseph Creek Village	2040	132	-	-
CBBC	-	-	-	100
	$ 6,085	$ 32,292	$ 4,228	$ 31,871

Due to and purchases from related parties:

	2013		2012	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
Columbia Power	$ 216	$ 1,793	$ 207	$ 1,915
Province of BC	96	7,755	70	6,512
BC Hydro	10	174	10	186
BPC	188	712	42	640
BEPC	-	-	-	-
Powerex	-	45	-	45
Joseph Creek Village	-	-	-	-
CBBC	-	-	-	24
	$ 510	$ 10,479	$ 329	$ 9,322

22. PUBLIC SERVICE PENSION PLAN

CBT and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The PSPP is a multi-employer defined benefit pension plan. Under joint trusteeship, the risks and rewards associated with the PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions.

The most recent actuarial valuation as at March 31, 2011 indicated a $275 million funding deficit for basic pension benefits. To maintain funding for the basic pension benefits, contribution rates to the basic account were increased by a total of 0.8% of salary. This increase was shared equally between members and employers and was effective April 2012. Contributions to the PSPP by CBT in 2012/13 were $267,000 (2011/12 - $232,000). No provision, other than CBT's required employer pension contributions, has been made in the accounts of CBT for this liability. The next valuation date will be March 31, 2014 with results expected in fiscal 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2013 and March 31, 2012
(in thousands)

23. RISK MANAGEMENT

(a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CBT extends credit within its commercial loans and investments. To mitigate CBT's exposure to credit risk, an assessment of the credit worthiness of a borrower is carried out prior to the placement of a commercial loan or investment. CBT's exposure to credit risk is as indicated by the carrying value of its commercial loans and investments. The maximum exposure to credit risk at March 31 was:

	2013	2012
Accrued interest and other assets	$ 1,473	$ 1,417
Commercial loans	$ 21,418	$ 13,827
Commercial investment	$ 3,000	$ 4,400

(b) Liquidity risk

Liquidity risk refers to the risk that CBT will encounter difficulty in meeting obligations associated with financial liabilities. CBT monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. CBT considers that it has sufficient liquidity to meet its financial obligations. The maximum exposure to liquidity risk at the reporting date was:

	2013	2012
Accounts payable and accrued liabilities	$ 558	$ 639
Long-term debt	$ 1,056	$ -
Delivery of Benefits liabilities	$ 24,274	$ 20,449

(c) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CBT realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

ii. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CBT is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities. CBT's short-term investments and commercial loans are subject to variable interest rates.

Sensitivity analyses: A change of 100 basis points in the interest rates in short-term investments would increase or decrease revenues by $786,000. A change of 100 basis points in the market rates of commercial loans would increase or decrease revenues by $144,158.

iii. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial statement or its issuer, or factors affecting all similar financial instruments traded in the market. As CBT's market securities portfolio is affected by global market conditions, the maximum exposure to price risk at the reporting date was:

	2013	2012
Market securities	$ 23,619	$ 21,911

24. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from CBT's annual budget approved by the Board of Directors in January 2012.

25. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2013 and March 31, 2012
(in thousands)

Schedule A: Tangible capital assets supplementary financial information

	Land	Building	Office Furniture and Equipment	Leasehold Improvements	Server Hardware and Software	Work-Station Hardware	Fibre Optics	Total
March 31, 2013								
Cost								
Opening balance	$ 205	$ 3,470	$ 530	$ 637	$ 632	$ 268	$ -	$ 5,742
Additions	485	975	20	76	271	20	570	2,417
Disposals	-	-	-	-	(42)	(2)	-	(44)
	690	4,445	550	713	861	286	570	8,115
Accumulated amortization								
Opening balance	-	(1,213)	(472)	(590)	(340)	(221)	-	(2,836)
Additions	-	(115)	(40)	(53)	(267)	(35)	(41)	(551)
Disposals	-	-	-	-	42	2	-	44
	-	(1,328)	(512)	(643)	(565)	(254)	(41)	(3,343)
	$ 690	$ 3,117	$ 38	$ 70	$ 296	$ 32	$ 529	$ 4,772
March 31, 2012								
Cost								
Opening balance	$ 70	$ 3,190	$ 517	$ 635	$ 445	$ 244	$ -	$ 5,101
Additions	135	280	15	2	187	54	-	673
Disposals	-	-	(2)	-	-	(30)	-	(32)
	205	3,470	530	637	632	268	-	5,742
Accumulated amortization								
Opening balance	-	(1,099)	(402)	(549)	(187)	(183)	-	(2,420)
Additions	-	(114)	(72)	(41)	(153)	(68)	-	(448)
Disposals	-	-	2	-	-	30	-	32
	-	(1,213)	(472)	(590)	(340)	(221)	-	(2,836)
	$ 205	$ 2,257	$ 58	$ 47	$ 292	$ 47	$ -	$ 2,906

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